

# The Compliance Role: A Proposal for Improved Understanding

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IACA

IACA  
RESEARCH PAPER SERIES NO. 03

March 2018



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International Anti-Corruption Academy (IACA)  
Muenchendorfer Str. 2  
2361 Laxenburg  
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**Laxenburg 2018**

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## Abbreviations

BSI	British Standards Institution
CO	Compliance officer
CSR	Corporate Social Responsibility
EOA	Ethics Officers Association, US
ERC	Ethics Resource Center
IACA	International Anti-Corruption Academy
ICC	International Chamber of Commerce
ISO	International Organization for Standardization
SCCE	Society of Corporate Compliance and Ethics

# Abstract

Although clearly defining the role of the compliance function is difficult, it is crucial in order to make an organizational compliance programme effective. Reviewing examples from previous discussions, this paper suggests two new and improved ways of conceiving the compliance role. First, the earlier focus on listing compliance roles can be improved when we embed it in a dynamic interactive process with stakeholders. Second, the post-oriented and function-oriented approaches to conceiving the compliance role, which previous discussions did not distinguish, should be separated, with a focus given to the functional role. The paper concludes by discussing implications for organizational managers and researchers for future developments in this topic.

**Keywords:** compliance officer (CO); compliance programme; management system; social role; stakeholder

# 1. Introduction – A Need for Clarity

It is crucial for a compliance officer (CO) to clearly understand his/her role in order to be effective.<sup>1</sup> Research has borne out this commonsense statement. With a clearly defined role, one tends to have better job performance and greater work satisfaction, as well as lower job stress and a reduced propensity to leave (see, for example, Lyons, 1971; Stevens, Beyer and Trice, 1978; and Hall, 2008).

Understanding a compliance role is also important when an organization or educational/training body is designing and delivering a programme aimed at a CO's competence development. Furthermore, a clear understanding of a role-set positively affects professional identity construction (see Pratt,

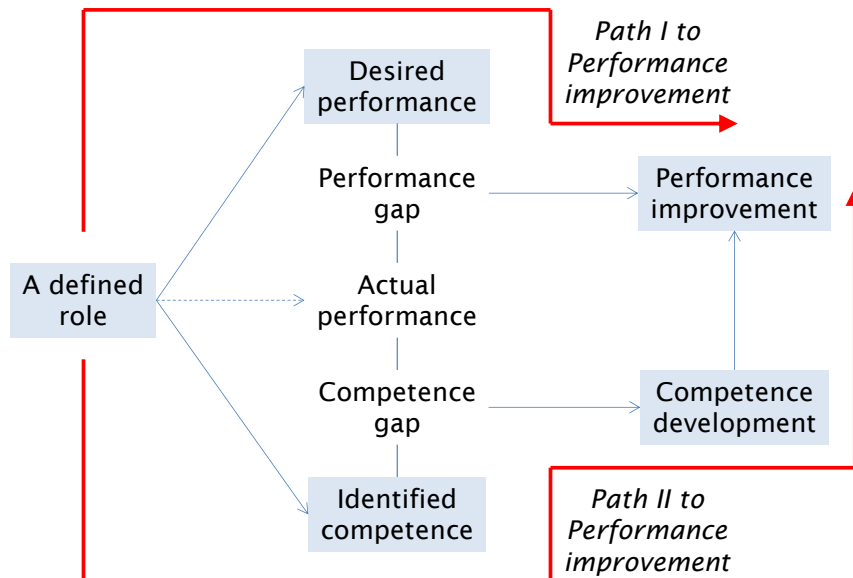
Rockmann and Kaufmann, 2006, regarding the medical profession).

These relationships between role definition and performance improvement are summarized in Figure 1 on the next page.

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<sup>1</sup> Each organization's compliance programme is different in scope. Most of the discussion in this paper can be applied not only to anti-corruption compliance roles but also to other aspects of compliance (e.g. in competition and safety). However, the functional perspective proposed in this paper is limited in scope to anti-corruption compliance roles. This is because such a perspective entails defining an area-specific role (anti-bribery in our discussion) in addition to the general management role.

**Figure 1. Two hypothetical paths from role definition to performance improvement**



Source: author.

There are at least two hypothetical paths along which a well-defined role can lead to performance improvement.

In the first case, a well-defined role enables performance to be clearly defined. This, in turn, makes it easier for a CO and the organization to identify a performance gap and try to make improvements accordingly (Path I above).

Secondly, if a role is well defined, it is relatively easy to identify the competence

required for a CO to carry out the role. When a competence gap is identified, this can be filled through competence development activities such as education and training, also leading to performance improvement (Path II).

In this context, this paper looks at previous attempts to define a compliance role and seeks improvements in how we understand this topic.

## 2. Previous Discussions

Only a few authors have dealt with the compliance role (e.g. Weber and Fortun, 2005; Adobor, 2006; ERC, 2007; and Vincke, 2013). Their approaches can be roughly divided into two main groups.

The first focuses on what a CO actually perceives as his/her role (“what a CO thinks he/she does or should do”). We call this the “CO’s perception-based approach”.

The second approach provides a prescriptive list of a CO’s role (“what the author thinks that a CO does or should do”) without relying on the officer’s own perception.<sup>2</sup> We name this the “Author’s perception-based approach”.

Let’s take a look at how previous studies have defined the compliance role.

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<sup>2</sup> This distinction does not have a clear borderline. Although the second group does not explicitly rely on the CO’s own perception, the author might have collected or referred to it in the process, but not reported this point. Similarly, authors in the first group might have used an abstract scheme to group the observed perceptions (see Adobor, 2006, for example). Therefore, it would be better to say that the main difference between these two groups is the area in which they explicitly focus.

### 2.1 Group 1: CO’s perception-based approach

Weber and Fortun (2005) and Adobor (2006) belong to this first group.

In 2004, Weber and Fortun surveyed officers belonging to the Pittsburgh Ethics Network in the United States of America. Table 1 on the next page shows how these officers perceived their role.

Weber and Fortun found that the COs in the survey regarded compliance programme oversight, investigation, and training as their three major responsibilities (with a combined weight of about 2/3).<sup>3</sup>

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<sup>3</sup> A close critical scrutiny of research methods used in previous discussions is important for the future development of this field. For example, by making the sum of weights of six identified roles equal to 100%, Weber and Fortun (2005) assume that the six roles cannot overlap. But are the roles of ensuring compliance and promoting ethics mutually exclusive? The answer will depend on how one conceptualizes a compliance role. We will not discuss research methods in this paper.



Adobor (2006) analyzes a 2002 survey conducted by the US Ethics Officers Association (EOA), identifying the five categories of a CO's role shown in Table 2: (1) ethics education; (2) compliance

management; (3) advisory; (4) investigation; and (5) corporate social responsibility (CSR). Under each category, Adobor lists related roles.

**Table 1. Compliance role by Weber and Fortun**

Responsibility	Weight
Ensure compliance	28.6%
Conduct investigation	19.1%
Carry out training	19.1%
Promote ethics	11.9%
Perform audits	7.1%
Other	14.2%

Source: Weber and Fortun (2005), pp. 107-8.

**Table 2. Compliance role by Adobor**

Category	Responsibility
Ethics education	<ul style="list-style-type: none"> <li>• Training design</li> <li>• Training delivery</li> <li>• International program development</li> </ul>
Manage compliance	<ul style="list-style-type: none"> <li>• Management of program documentation</li> <li>• Direct handling of hotline/guideline/internal reporting</li> <li>• Assessing/reviewing vulnerabilities</li> <li>• Preparation and delivery of external presentations</li> <li>• Establishing company policy and procedures</li> </ul>
Advise top management	<ul style="list-style-type: none"> <li>• Senior management and/or board briefings/communications</li> </ul>
Investigative oversight	<ul style="list-style-type: none"> <li>• Overseeing investigations of wrongdoing</li> <li>• Conducting investigations of wrongdoing</li> </ul>
Corporate social responsibility	<ul style="list-style-type: none"> <li>• Community relations</li> <li>• Corporate foundation/giving</li> <li>• Shareholder relations</li> <li>• Diversity</li> <li>• Environmental compliance and human rights</li> </ul>

Source: Adobor (2006), Table 1, p. 60.

## 2.2 Group 2: author's perception-based approach

The second group takes a prescriptive approach in conceiving a CO's role

without relying on the latter's own perception of it.

ERC (2007) states that a CO, especially a chief compliance officer, should assume a “broad and substantial” role, which includes:

- being the one individual who serves as the primary officer
  - responsibility for the overall ethics AND compliance program
  - formal and informal recognition as having authority
  - supporting the CEO and board in championing corporate values and standards
  - participating in major company decisions
  - serving as a member of the executive management team
  - maintaining a singular focus on ethics/compliance (ERC, 2007, pp. 17-19, emphasis in original).
- Vincke (2013) is another example of the second group and provides the following list of a CO’s roles:
- define the company's ethical values and corporate rules and policies
  - improve and regularly update the company's ethics and compliance documents in order to keep them in line with legal and societal expectations
  - establish procedures to ensure the implementation of the company's values and ethical rules
  - advise, encourage, and motivate the colleagues in favour of compliance
  - answer their concerns and help them take the right decisions while facing difficult dilemmas
  - educate and train company personnel in all the company's divisions, and possibly agents, intermediaries, and other third parties who have a long-term relationship with the company, and
  - create a culture such that behaving ethically becomes a second nature for all who work in and with the company (Vincke, 2013, pp. 12-13).

## 3. Ways to Improve the Understanding of a Compliance Role

All four examples in the previous section seem to take a similar list-based approach to describing the CO's role, with some authors adding role weight and/or categorization.

However, when we look into the discussion more closely, we discover some differences. As we saw in the previous section, different sources (CO and author) may identify the role. Whose perception should be the basis for improving a CO's performance? We can also observe an incongruence issue. Some responsibilities such as compliance management are repeatedly mentioned throughout the discussion, while others such as CSR are not. How can we have a comprehensive list describing a CO's role?

This paper introduces two perspectives that can improve the way we currently conceive a CO's role. They are (1) a dynamic stakeholder perspective and (2) a functional perspective.

### 3.1 Improvement 1: Dynamic interactive perspective

A CO's role can be better understood by introducing a dynamic interactive role-defining process.

This perspective emphasizes the dynamic process of a CO's interaction with internal and external stakeholders in conceiving and performing his/her role. It offers at least three important points to be added to existing approaches.

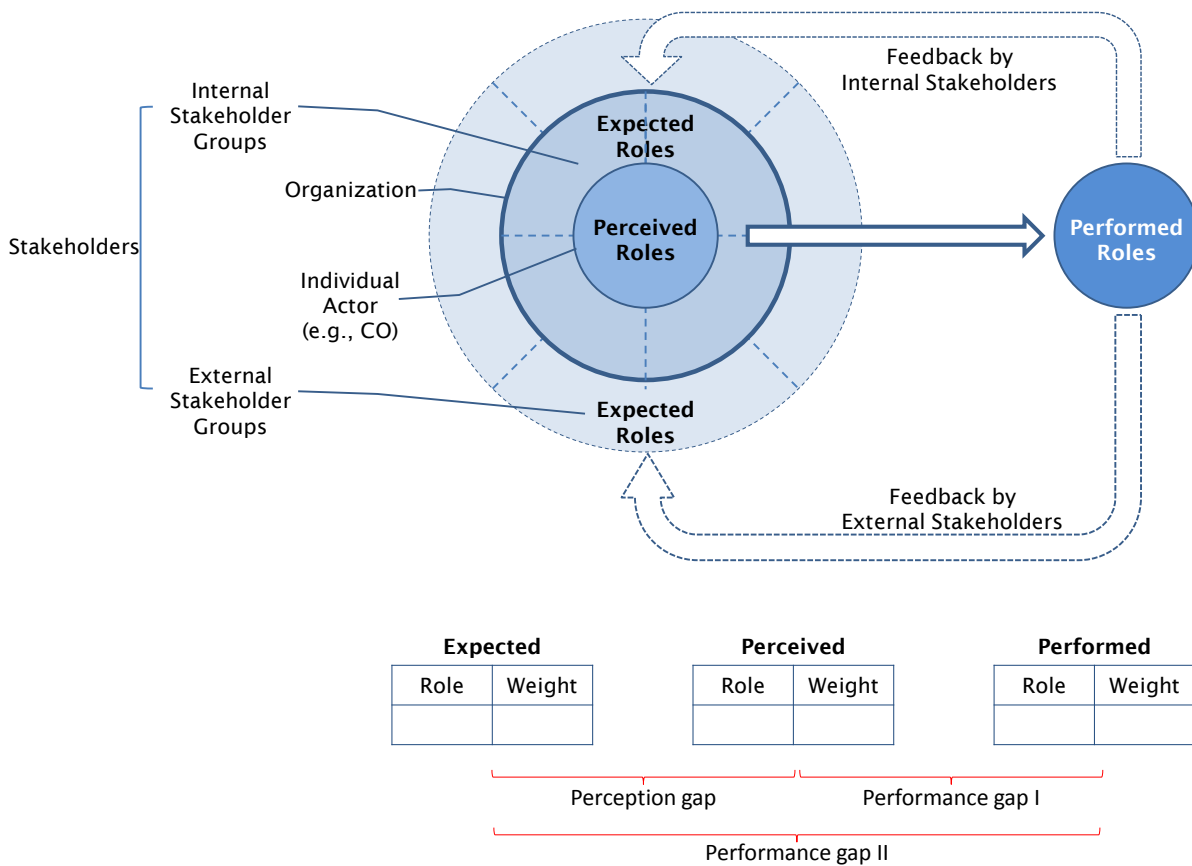
First, as Marshall (1994, p. 453) stresses, "roles are not fixed expectations, but emergent outcomes". In this sense, the compliance roles presented in the previous discussions can be seen as a snapshot in an ever-evolving process. Thus the picture taken can change depending on given circumstances such as time, location, compliance-related incidence, and, most importantly, stakeholder relation.

Second, various stakeholder groups have formed their own expectations of the CO's role. As Adobor (2006) observes:

The ethics officer's position is unique in the sense that it faces multiple, sometimes competing, expectations from groups, or subsystems in the organization (p. 59).

Third, a CO's role definition will also vary because they "differed in what they defined as in-role and extra-role behavior" (Morrison, 1994, p. 1,543). And it is this personally defined role, not the officially stated one, which really affects the CO's actual performance (Locke and Latham, 2002).

**Figure 2. Dynamic interactive process of role definition**



Source: author.

With these three points considered, we can now see that the process of defining a CO's role is very complex. Figure 2 overleaf tries to capture this dynamic interactive process of role definition.<sup>4</sup> It shows that this process can yield at least three different groups of roles: (1) those expected by a certain stakeholder group; (2) those perceived by a CO; and (3) those actually performed by a CO.

From this perspective, we can conclude that previous approaches have dealt with only part of this dynamic process. The author's perception-based approach, to which ERC (2007) and Vincke (2013) belong, focuses on listing the roles expected by a particular author or group of authors, while the CO's perception-based approach deals with roles perceived or performed by a CO.<sup>5</sup>

### 3.2 Improvement 2: Functional perspective

Another way of improving the understanding of a compliance role is through the position's function. As in Boehme (2010), a CO's role can be viewed from the perspective of the functions that the compliance department is expected to perform. In other words, a CO's role is almost identical to the functions of a compliance division. ISO (2016, p. 3) takes a similar view by defining the "anti-bribery compliance function" as "person(s) with responsibility and authority for the operation of the anti-bribery management system".

For example, the framework of a compliance programme shown in Figure 3 covers most of the CO's role mentioned by previous discussions. From this, we can understand that a CO's key role is to implement a compliance programme, which has five major components: (1) risk assessment; (2) declaration; (3) monitoring and detection; (4) post-detection action; and (5) communications. Each major component can be divided into a few sub-component actions as illustrated in Figure 3.<sup>6</sup>

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<sup>4</sup> In the interests of brevity and a focused discussion, this paper will not explain all the elements depicted in Figure 2.

<sup>5</sup> Weber and Fortun (2005) and Adobor (2006) do not clearly report which aspect of the role — perceived or performed — they studied. This is why this paper introduced the first group as studying "what a CO thinks he/she does or should do". Future research should clarify which aspect of a role it is studying.

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<sup>6</sup> Rho (2018) places communications in the last column of the diagram, but points out that "this should happen throughout the other four stages" (p. 21). Here we change its position to highlight its common applicability to the other four compliance components.

**Figure 3. A framework of a compliance programme**

Risk Assessment			Declaration		Monitoring and Detection				Post-detection Action		
Risk identification	Risk analysis	Risk mitigation	Corporate policy	Code of conduct	Due diligence	Hotline	Internal control and audit	Internal investigation	Post-detection analysis	Corrective action	Cooperation with the external
<b>Communications</b>											
Training											
Non-training communications											

Source: Rho (2018), p. 21, Figure 8.

In addition to the basic framework of a compliance programme shown above, recent trends in this field require a CO to apply a management system idea to the programme and to obtain sufficient organizational supports (Rho, 2018).

To elaborate this point citing ISO 37001 (2016), a CO has to operate an anti-bribery<sup>7</sup> management system. ISO lists not only several anti-bribery specific roles (such as due diligence and financial and non-financial controls) but also general tasks relating to the operation of a management system (such as leading and planning).<sup>8</sup>

<sup>7</sup> Although we acknowledge that the practical implications of distinguishing “corruption” and “bribery” are immense, we will use “bribery” here as used in ISO 37001 (2016), of which full title is ‘Anti-bribery management systems: Requirements with guidance for use’.

<sup>8</sup> Because organizational support, a third element of a compliance framework in Rho (2018), is included as “resource” in ISO 37001 (2016), we can say that these two materials share a similar view.

By combining these two dimensions, we can get a CO’s role matrix as illustrated in Figure 4, in which each cell of the matrix is a compliance function to fulfil.

We should be cautious about seeing the compliance function and a CO’s role as being identical as in Boehme (2010) and ISO 37001 (2016).

**Figure 4. Role matrix combining anti-corruption specific roles and general management roles**

Anti-bribery specific roles / General management roles	Assess (e.g., risk assessment)	Define (e.g., anti-bribery policy)	Prevent (e.g., due diligence)	Detect (e.g., financial and non-financial controls)	Respond (e.g., managing inadequacy)
<b>Lead</b>					
<b>Plan</b>					
<b>Resource</b>					
<b>Operate</b>					
<b>Evaluate</b>					
<b>Improve</b>					

Source: author.

To illustrate this point, Figure 5<sup>9</sup> adds one more element — responsible parties — to the role matrix of the CO (or of the compliance function, to put it now more precisely) in Figure 4. The “Function” row of Figure 5 combines two dimensions of Figure 4: (1) anti-bribery specific roles and (2) general tasks relating to the operation of a management system. Then a new column of Responsible Parties is added to the matrix.

From Figure 5 we can see that a CO’s role (the parts marked as “Compliance role view (1) – post-oriented”) is not always identical to the whole compliance function (“Compliance role view (2) – function-oriented”). If we focus on the post-oriented compliance role, we risk neglecting the other functions that should be carried out by non-CO parties. Therefore, Compliance role view (2), the function-oriented role, is more comprehensive than a post-oriented compliance role view (1). We should link the compliance role view (2) with all

responsible parties and not simply concentrate on a CO.<sup>10</sup> As Vincke (2013, p. 11) emphasizes, it is a “shared responsibility” of all related parties to perform the compliance function, and not the “sole responsibility” of a CO.<sup>11</sup>

<sup>9</sup> In the interests of space and a more focused discussion, we will not explain all the elements depicted in Figure 5 in this paper.

<sup>10</sup> A key concern for a compliance officer is to ensure that the allocated roles and responsibilities across the organization are being carried out. In this sense, a CO, especially a high-level one, should pay attention not only to the post-oriented view but also to the function-oriented perspective.

<sup>11</sup> Earlier in this paper the terms “a CO’s role” and “a compliance role” are used interchangeably. Following our discussion, we can now conceive of two separate role views: post-oriented and function-oriented.





## 4. Implications

After reviewing examples from previous discussions, this paper suggests two new ways of understanding the compliance role: (1) a dynamic interactive perspective and (2) a functional perspective.

To conclude, we will discuss the implications of this review and offer suggestions for organizational managers and researchers.

### 4.1 For managers

As mentioned at the start of this paper, a CO should understand and clearly define his/her role in order to be effective.

We believe that the two suggestions made in this paper will improve the current discussion on the compliance role. These suggestions imply that an organization and its CO should seek to align its compliance role in four main ways.

First, an organization should ensure alignment between the three different role-sets illustrated in Figure 2: (1) expected; (2) perceived; and (3) performed. Without this alignment, a CO might experience role ambiguity and conflict, which will ultimately result in an

ineffective organizational compliance effort.

This alignment should also include active engagement with key stakeholders, both inside and outside the organization, to determine their expectations and reach a coordinated role-set. Without this effort, and in addition to the aforementioned risk of role ambiguity and conflict, an organization might face tension with key stakeholder groups and find it hard to obtain resources that are essential for its compliance efforts and overall success.

Second, the identified compliance roles should be appropriately allocated to the responsible parties, including a CO, a governing body, top management and other managers, employees, and personnel (see Figure 5).

Third, an organization should build a bigger picture than the compliance roles discussed here. A compliance role should contribute to the success of an overall compliance effort, which in turn should be linked to the organization's success as defined by the organization and its stakeholders. Although this paper focuses on improving the understanding of the first link of the chain, an organization should keep the whole chain

in mind when it conceives a compliance role.

Lastly, the three points raised above should be aligned with the organization's human resource management system — selection, human resource development, performance appraisal, remuneration, and discipline. Assuming that the first three points are well designed, this last point provides leverage to make them happen.

#### **4.2 For researchers**

This paper has shown that the current discussion on the compliance role is at an early stage and limited in scope. Previous studies list, and occasionally group and weigh, the roles identified by either COs or authors.

Compliance roles can be viewed in a more organized way by considering the two or

three dimensions of such a role, as proposed in ISO 37001 (2016) and Rho (2018).

However, few studies have addressed the links between the identified compliance roles and the success of organizational compliance efforts. Furthermore, we do not yet have an academically compelling bigger picture linking organizational compliance efforts and organizational success.

Since this bigger picture is a crucial factor that a manager must consider in conceiving a compliance role (the third implication for managers above), it needs academic scrutiny.

The dynamic interactive perspective on the compliance role is rarely explored theoretically or empirically. A study in this area will help an organization to effectively address the first implication introduced above.

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Publisher & Layout:  
International Anti-Corruption Academy

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