



Is Integrity the New Compliance?

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Two Tales

1. Virtueland



Source: Pixabay

- *All are Saints!*
- *Moral values, moral compass, moral courage*
- *moral self-governance*

No Crime?



1. Durkheim's Answer



Source: Pixabay

- *Petty Deviances would become capital crimes.*
- 2
- *Most Business would go bankrupt.*
- *The execution of morales would lead to the execution of dissidents.*



*Moral Communication is the
Communication of Regard and
Disregard.*

Niklas Luhmann

1. Mr. Average-Land



- *All are petty wrongdoers!*
- *Moral opportunism*
- *Hypocrisy*

Source: Pixabay

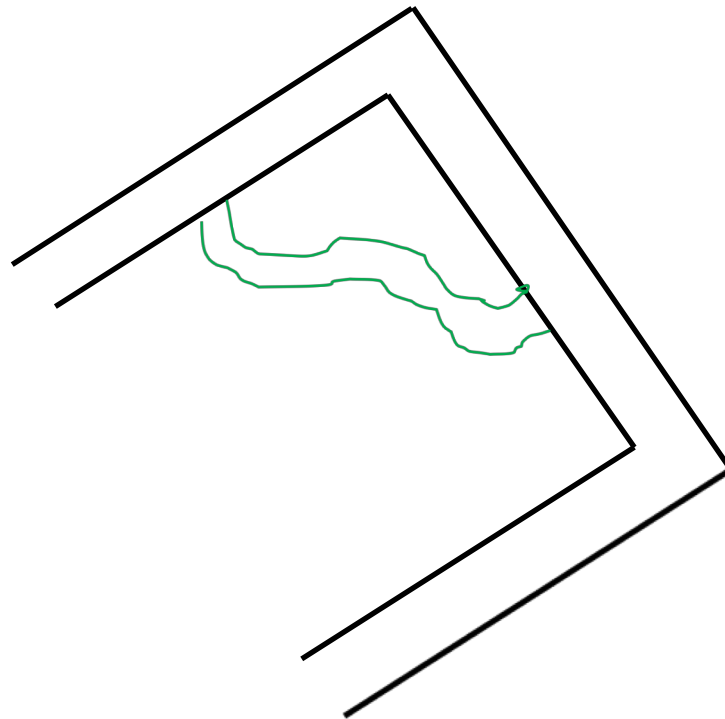


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1. Rules in Mr. Average-Land

Deviation from a given pedestrian way:

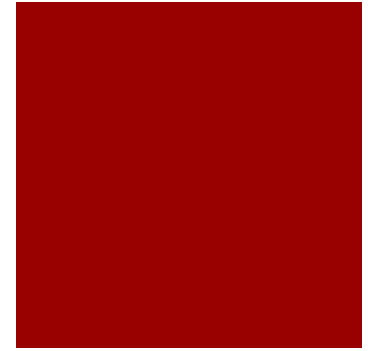
If the short cut is **> 25%** shorter than the given way



1. Rules in Mr. Average Land



1. No one, no company can stick to all rules.
2. Part of the rule breaking is culturally accepted and functional.
3. Many Wrongdoers follow unwritten rules for the sake of the company.



Hypocrisy is a fundamental type of behavior in organizations: to talk in a way that satisfy one demand, and to decide in a way that satisfy another ..

Nils Brunsson



Two Mindsets

2.1 Individual Deviance or Smart Criminals Corruption (Rational Choice)

- Personal gains;
- Opportunities;
- Costs (Sanctions).

White Collar Crime:
(Deviant) Smart Criminals



2.2 Organizational Crime

- Organizational Benefits;
- Unwritten rules and Social Cocooning;
- High Ranked Insiders by any costs.

Organizational Crime:

High Ranked Insiders playing by deviant rules



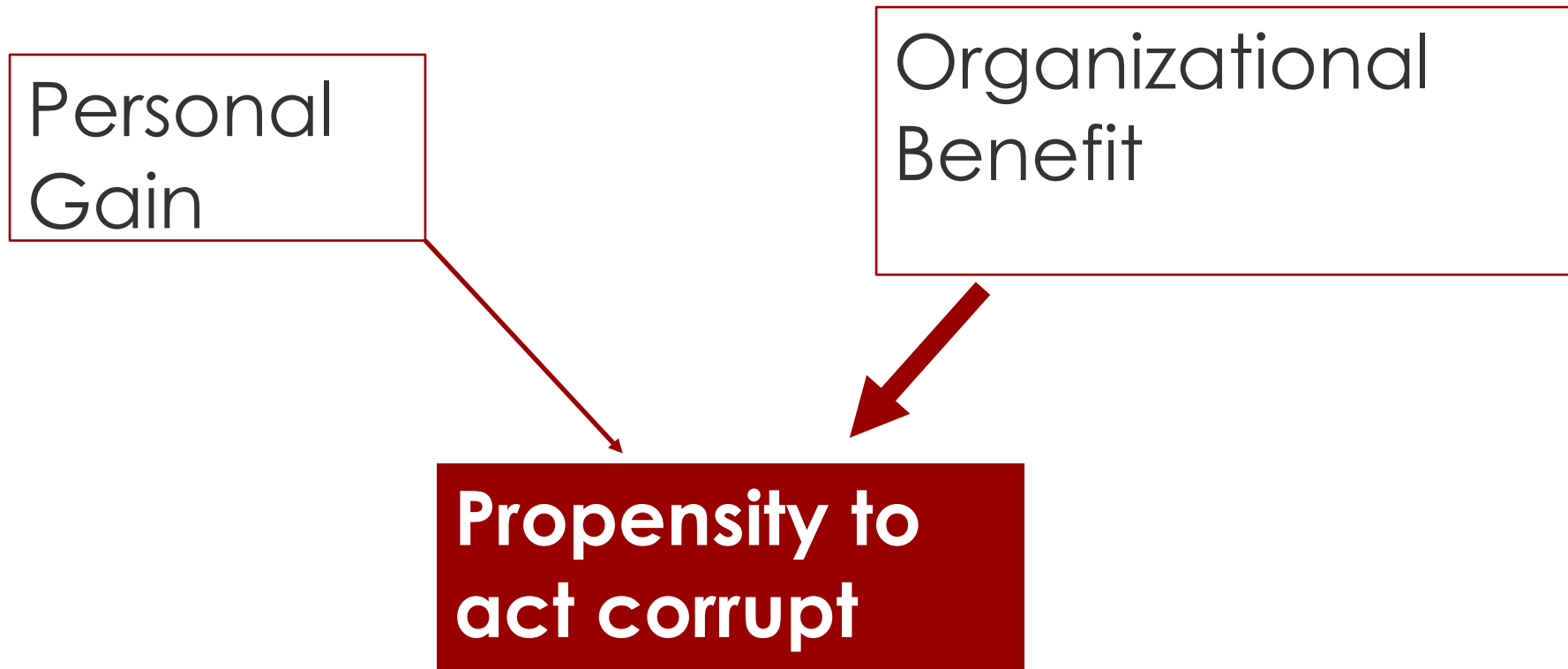
2.3 Lab Experiments, 2017, n=1,022 Students



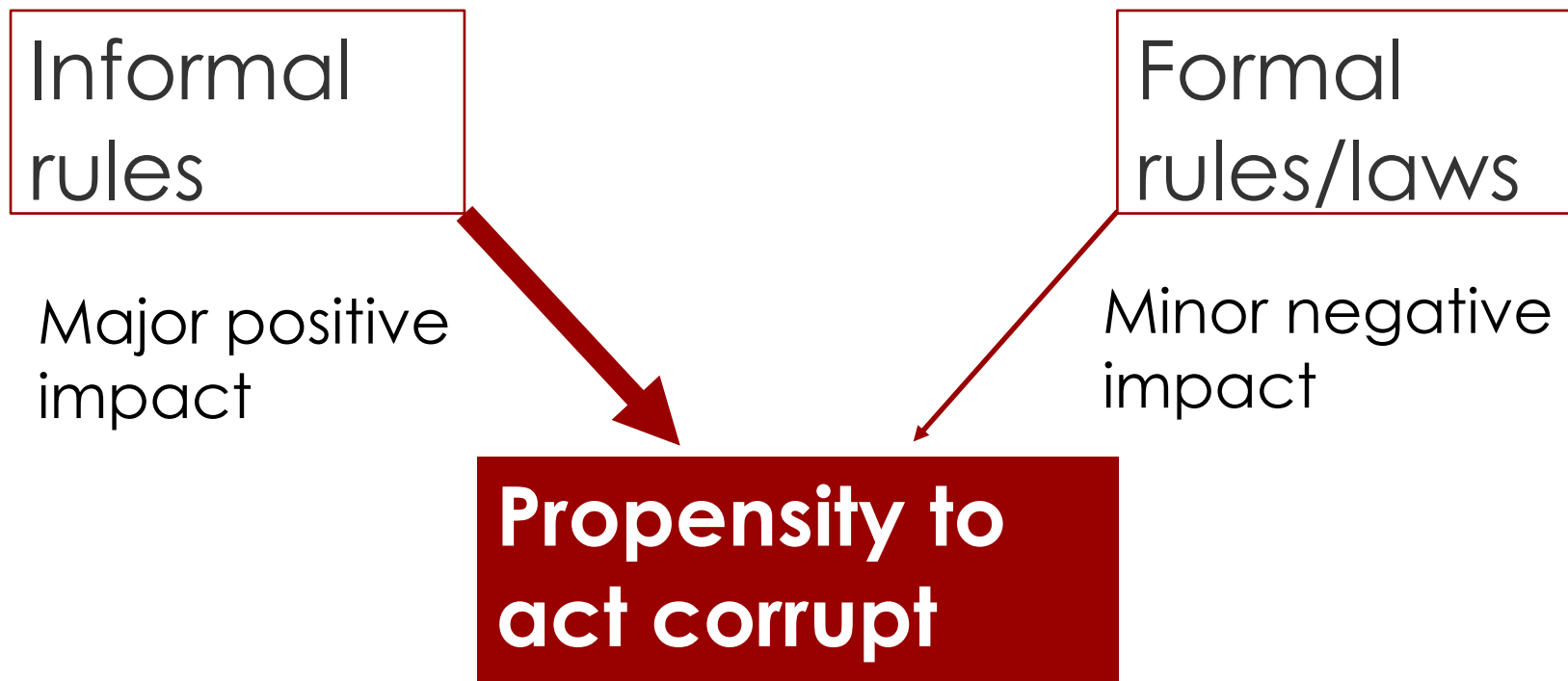
Except for Brazilian students, the propensity to cheat is always higher if it's for the benefit of the company and not just for personal gains.



2.4 Factorial Survey in Germany, 2018, n=250 CEOs



2.4 Factorial Survey in Germany, 2018, n=250 CEOs



The Story of a German Carmaker

Weak Implementation of Environmental Protection

- Weak Legislation,
Law Enforcement
and Monitoring
(EU/FRG);



Source: Wikimedia Commons

3.2 Deviant Environment

Year	Company	Manipulations	Deals/Fines
1974	VW Beetle	Sensor systems for temperature	120.000 \$
1974	Chrysler, Ford, GM, Toyota	Sensor systems for temperature	Ns
1995	GM	deactivating Software	20 m. \$
1998	Ford	deactivating Software	7.8 m. \$
1998	Honda	deactivating Software	17.1 m. \$
1998	Caterpillar Renault, Volvo u.a.	Defeat devices	83.4 m. \$ + 1 bi \$ for refitting
2000	BMW Motorbikes	Defeat devices	None
2004	Audi/VW	Defeat devices	VW 30.6 b. \$



3.2 „Hoaxwagen“ - A Case of Organizational Crime

- Rising Sales of „Clean Diesel Cars“ in the US;
- No (illegal) personal gains;
- 42 Engineers and Managers,
- Insiders with long job tenure,
- tone from the top: If you're not up to the task, someone else is.





Source: Pixabay

Rule violations are to be excluded in advance and we therefore put strong emphasis on prevention. (Chief Compliance Officer of Volkswagen, Dr. Frank Fabian, June 2015)

Compliance

4.1 Two basic functions



Function 1: to reduce fines in the event of an offense and provide individual liability

Function 2: to prevent violations

- by checks and controls
- by training and education

4.2 Many Restrictions



1. The fulfillment of function 1 is restricting the fulfillment of function 2.
2. Dealing with soft factors creates hard problems.
3. We need the operational units to engage without providing the “promised land”.

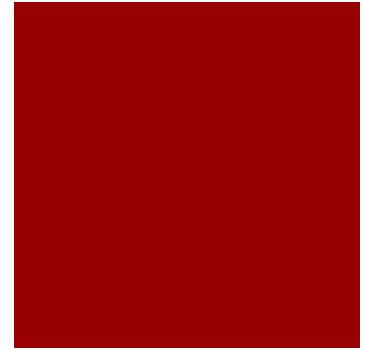
4.2 Many Restrictions



1. The more formal rules you install, the more deviations will take place.
2. Moral Education \neq More Ethical Behavior!
3. Operational Business units are the agents of socialization, not the compliance department.

4.3 What should we not do?

- Over-regulation and overdoing education!



No way you
comply with all
that ...

Source: Pixabay



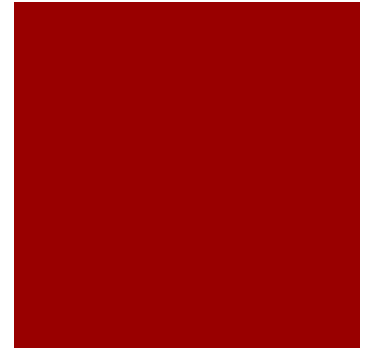
4.3 What can we do? Some Ideas



1. Take Care for Diversity – Female Managers
2. Take Care for Outsiders – Open up Career Systems
3. Take Care for a lower Job tenure – Job Rotation
4. Support restructuring, avoid scapegoating

Conclusions

5. Conclusions



- Don't go for Virtueland = more hypocrisy and deviance.
- Organizational and individual crime are two different stories.
- If you go after organizational crime, think about structural prevention.



Source: Wikimedia Commons

Does anyone know where do we keep the
unwritten rules?