

explainity explains: Compliance

Mr. Peterson works in the Purchasing Department of a medium-sized company. He regularly places orders with suppliers or service providers and buys products from others. Mr Mertens is an industrious sales rep with the firm IT-Digital. He is determined to convince Mr Peterson that his employer makes the best products.

Mr Peterson is a big fan of football. Mr Mertens is aware of this, so he invites him to attend a match. Expensive VIP tickets, all paid for by IT-Digital. That sounds good. A bit too good, especially since Mr. Peterson is about to award a major contract that IT-Digital is itching to get. Mr Peterson puts his thinking cap on. Is this just a thoughtful gift or perhaps even an attempt at bribery?

He can't make his mind up alone, so he consults his line manager. She explains to him that the boundary between pleasantries and attempted bribery is sometimes opaque. A little gift between business associates, for instance a diary or a pen, would be fine. But it becomes a problem if gifts influence Mr Peterson in his decision. The line manager asks Mr Peterson to refer to the company's Compliance Policy.

This rulebook instructs Mr Peterson and his colleagues to adhere to current legislation, internal regulations, and the company's values. Money laundering, corruption or dealing in insider information are prevented by these standards. First, this will keep the company protected; and second they will stop any damage to the organisation's reputation.

These days, almost every large company has introduced a voluntary commitment to abide by certain rules and to monitor compliance. But this has not always been the case. At the end of the 1980s, companies in the American financial services industry committed serious infringements and were ordered to pay huge fines. What's more, the reputational damage in the eyes of the general public was immense. Companies were asked to prove that they had provided their employees with regular instruction on legal and internal requirements if they wanted to escape with a less severe punishment. This system has since become standard practice on a global level, also.

Mr Peterson is glad that he asked for advice. Of course he had always dreamed of attending a football match with VIP tickets. But more than that he wants to do his job properly, and is certainly determined to avoid overstepping laws and regulations that would bring him into conflict with the company. So he cordially declines the invitation – and treats himself instead to tickets for the next match. They might not be VIP tickets, but they are in among the fans, and bought with his own money.

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