Compliance 2.0:
Some Reflections on the Future of C&E

Michael Greenberg
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RAND has hosted an annual, path-breaking symposium on C&E policy

RAND symposia have addressed a broad range of C&E topics

• What is the key challenge for boards in C&E oversight?
• What is the basic problem posed by whistleblowers in the wake of Dodd-Frank?
• What is an ethical organizational culture, and how does this relate to the Sentencing Guidelines?
• How can C&E address misconduct in the C-suite?
• What are the emerging problems that will define C&E in the next decade?
The aim of the RAND events is to spur dialog between C&E leaders and others

• What is C&E for?
• How can the C&E function be made more effective?
• How does C&E solve problems for other stakeholder groups?
• What can compliance officers do differently and better?
• What can other groups do differently and better?

What is the key challenge for boards in C&E oversight?

• Time
• Understanding the value of C&E
• Recognizing responsibility for C&E
• Empowering the CECO

What is the basic problem posed by whistleblowers in the wake of Dodd-Frank?

• How do you make whistleblowers into an asset?
• How do you keep whistleblowers inside?
• How do you build a robust internal reporting channel?
What is an ethical organizational culture?

- How does “culture” relate to what C&E officers do?
- What is the conundrum of the Sentencing Guidelines?
- How to reconcile “hard” and “soft” sides of compliance?
- What are some of the key contradictions?

How can C&E address misconduct in the C-suite?

- Very carefully
- What conditions would you have to establish...
- How does CECO independence relate?
- What are the strategic and cultural issues for the C-suite?

What are some emerging problems that will define C&E in the next decade?

- Third-party compliance burdens
- Professionalization of compliance as a discipline
- Independence of compliance from GC
- Technology
**What are some of the profound questions for C&E?**

- Why do people behave badly, and what can compliance officers do about it?

**Why do people behave badly?**

- Because they are evil
- Because they are incentivized to behave badly
- Because others around them are behaving badly
- Because bad behavior is a gradual process
- Because they don’t know any better
- Because authority is telling them to behave badly
- Because there are no controls to prevent it
- Because there is no culture of self-reflection
- Because they are afraid of reprisal for blowing the whistle

**What are some of the profound questions for C&E?**

- Why do people behave badly, and what can compliance officers do about it?
- What is the relationship between compliance and other key constituencies within the corporation?
- How ought the CECO to balance independence with collaboration with other silos in management?
- How does the C&E function address the problem of corporate reputation risk?
What are some of the profound questions for C&E? (II)

- How do we demonstrate the value proposition or ROI for C&E?
- How can CECOs respond constructively to stupid, outside compliance burdens?
- How ought CECOs to navigate conflicting roles in the management of compliance risk?
- How do CECOs overcome the problems of hollow compliance, or check-the-box compliance?

What C&E issues should RAND consider for the next symposium event?

- One of the questions we just discussed?
- Something else?
  - Corporate political spending and compliance
  - Relationship between compliance and risk functions within firms
  - C&E professionalization

If you are interested in learning more...

- Reports in the RAND C&E symposium series, as well as other related materials, can be freely downloaded at www.rand.org/jie/centers/corporate-ethics.html

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Let's play an ethics and strategy game

Consider the “Prisoners' Dilemma”

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Thoughts about ethics, strategy & reputation, based on the prisoners’ dilemma

- Your willingness to continue playing with me is my reputation
- Lots of business relationships in the real world have similar features
  - Repeat play
  - Capable of being played for “win at all costs”
  - But also capable of being played for “win/win”
- What messages are you sending through your behavior in the game, and to whom?
**How do we shape the “transformation” of C&E in a positive way?**

- Practical steps for CECOs
  - Serve as a thoughtful, articulate spokesperson
  - Consider how the empowerment of C&E can solve somebody else’s problem
  - Always identify the first, tangible step in solving the problem

- Consider the deep challenge of reputation risk
  - What is the problem for the board and C-suite?
  - How can C&E help to answer that problem?

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**How might the empowered CECO model lead to increasing professionalization of compliance as a discipline, independent of the general counsel?**

**How will the functional role of the CECO evolve, given increasing responsibility, engagement at the C-Suite level, and the shifting nature of the compliance burden?**

**What will some of the key organizational partners be for empowered CECOs in the future, and how can the CECOs better support those partners while carrying out their own roles?**