

University of Cologne

## Bachelorseminar: Topics in Compliance

Syllabus - Winter term 2015/16



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Instructor:	Jun.-Prof. Florian Engl	engl@wiso.uni-koeln.de
Time & Location:	Introduction	Tuesday, 03.11.15, 18:00 - 19:30, Room No.: 3.206 Universitätsstraße 22a (Studierenden Service Center)
	Seminar	Friday, 20.11.15, 09:00 - 18:00, Saturday, 21.11.15, 10:00-15:00 Room No.: 3.206 Universitätsstraße 22a (Studierenden Service Center)

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### COURSE OVERVIEW

Compliance management aims to ensure adherence with the law, regulatory frameworks as well as internal codes of conduct. It has received increased attention in light of recent corporate scandals, increasing regulatory requirements, and the growing importance of corporate social responsibility. In the seminar, students will discuss and explore topics in the compliance literature with an emphasis on its relation to findings in behavioral ethics. The aim is to better understand relevant frameworks and when and why non-compliant behavior emerges despite multiple control and monitoring systems. Furthermore, we will consider potential remedies against non-compliant activities.

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### COURSE STRUCTURE

Topics will be assigned to groups of up to three students. There will be one introductory session at which an overview of the topics and details about the seminar will be provided. The seminar will be held on two consecutive days in November. At the seminar, each student group will introduce their assigned topic in a 30 minutes presentation, which is followed by 15 minutes of discussion. A list of papers and articles will be provided for each topic. In order to be able to engage in fruitful discussions, all participants are required to prepare by reading the assigned literature. During the discussions students have the opportunity to exchange their arguments, give feedback and reflect on the lessons that can be drawn. Finally, each group writes an essay on their topic, which is to be submitted until January 31, 2016.

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## ATTENDANCE

Attendance at the seminar is highly recommended. It is also highly recommended to actively participate to earn a comprehensive understanding of the discussed issues and for an excellent preparation of your essay.

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## GRADING

Grades are based on your presentation at the seminar (50%) and your essay (50%).

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## COURSE LANGUAGE

English

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## CREDIT POINTS

6 ECTS

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## LITERATURE

For each topic there is a list with required readings. We will provide you with the texts and expect you to read these texts for a thorough seminar preparation. You will find the topics and a preliminary reading list below.

### Introductory readings

Treviño, L. K., Weaver, G. R., Reynolds, S. J., 2006. Behavioral ethics in organizations: A review. *Journal of management*, 32(6), 951-990.

Singh, N., Bussen, T. J., 2015. *Compliance Management: A How-to Guide for Executives, Lawyers, and Other Compliance Professionals*. ABC-CLIO.

### Case studies

Kaplan, R., Kiron, S., 2007. Accounting Fraud at WorldCom. *Harvard Business School Case*. Available from HBS Press.

David Barstow, April 21, 2012. Vast Mexico Bribery Case Hushed Up by Wal-Mart After Top-Level Struggle. *The New York Times*.

Bob Ivry, 31 May 2012. Woman Who Couldn't be Intimidated by Citigroup Wins \$31 Million. *Bloomberg*,

Rose, C., Sesia, A., 2013. Barclays and the LIBOR Scandal. *Harvard Business School Case*. Available from HBS Press.

### Topic 1: Regulatory frameworks – An overview

Coates, J., 2007. The goals and promises of the Sarbanes-Oxley Act. *Journal of Economic Perspectives*, 21(1), 91-116.

Coates, J., Srinivasan, S., 2014. SOX after Ten Years: A Multidisciplinary Review, *Accounting Horizons*, 28(3), 627-71.

Enriques, L., Volpin, P., 2007. Corporate Governance Reforms in Continental Europe. *Journal of Economic Perspectives*, 21(1), 117-140.

Inderst, C., Bannenberg, B., Poppe, S., 2013. Compliance: Aufbau - Management – Risikobereiche, Kapitel 1 & 2. 2. Auflage, C.F. Müller.

Taschke, J., 2015. Die Einführung eines neuen Unternehmensstrafrechts und seine Auswirkung auf das Compliance Management. In: *Compliance 2015 – Perspektiven einer Entwicklung*. Eds. Berufsverband der Compliance Manager e.V.

### **Topic 2: Compliance management systems – An overview**

Inderst, C., Bannenberg, B., Poppe, S., 2013. Compliance: Aufbau - Management – Risikobereiche, Kapitel 3 & 4. 2. Auflage, C.F. Müller.

KPMG, 2013. Compliance Benchmark Study 2013.

Standards: IDW PS 980 and ISO 19600

### **Topic 3: The costs of non-compliance**

Fich, E. M., Shivdasani, A., 2007. Financial fraud, director reputation, and shareholder wealth. *Journal of Financial Economics*, 86(2), 306-36.

Karpoff, J., Lee, D., Martin, G., 2008. The Cost to Firms of Cooking the Books. *Journal of Financial and Quantitative Analysis*, 43(3), 581-612.

Karpoff, J. M., Scott Lee, D., Martin, G. S., 2008. The consequences to managers for financial misrepresentation. *Journal of Financial Economics*, 88(2), 193-215.

### **Topic 4: Corporate culture and compliance**

Cohn, A., Fehr, E., Maréchal, M. A., 2014. Business culture and dishonesty in the banking industry. *Nature*.

Gino, F., Ayal, S., Ariely, D., 2009. Contagion and Differentiation in Unethical Behavior: The Effect of One Bad Apple on the Barrel. *Psychological Science*, 20(3), 393-8.

Hutton, I., Jiang, D., Kumar, A., 2015. Political Values, Culture, and Corporate Litigation. *Management Science*, forthcoming.

Pierce, L., Snyder, J., 2008. Ethical Spillovers in Firms: Evidence from Vehicle Emissions Testing. *Management Science*, 54(11), 1891-903.

### **Topic 5: Ethical leadership**

Adda, G., Darai, D., Weber, R. A., 2014. Do Leaders Affect Ethical Conduct? *Working Paper*.

Brown, M. E., Treviño, L. K., 2006. Ethical leadership: A review and future directions. *Leadership Quarterly*, 17(6), 595-616.

Hamman, J. R., Loewenstein, G., Weber, R. A., 2010. Self-Interest through Delegation: An Additional Rationale for the Principal-Agent Relationship. *American Economic Review*, 100(4), 1826-46.

Mayer, D. M., Kuenzi, M., Greenbaum, R., Bardes, M., Salvador, R., 2009. How low does ethical leadership flow? Test of a trickle-down model. *Organizational Behavior and Human Decision Processes*, 108(1), 1-13.

### **Topic 6: Behavioral ethics and compliance**

Dana, J., Weber, R. A., Kuang, J. X., 2007. Exploiting ‘moral wriggle room’: Experiments demonstrating an illusory preference for fairness. *Economic Theory*, 33(1), 67-80.

Gino, F., Schweitzer, Maurice. E., Mead, N. L., Ariely, D., 2011. Unable to resist temptation: How self-control depletion promotes unethical behavior. *Organizational Behavior and Human Decision Processes*, 115(2), 191-203.

Mazar, N., Amir, O., Ariely, D., 2008. Dishonesty of Honest People: A Theory of Self-Concept Maintenance. *Journal of Marketing Research*, 45(6), 633-44.

Shalvi, S., Gino, F., Barkan, R., Ayal, S., 2015. Self-Serving Justifications: Doing Wrong and Feeling Moral. *Current Directions in Psychological Science*, 24(2), 125-30.

Tenbrunsel, A. E., Messick, D. E., 2004. Ethical Fading: The Role of Self-Deception in Unethical Behavior. *Social Justice Research*, 17(2), 223-36.

Weisel, O., Shalvi, S., 2015. The collaborative roots of corruption. *Proceedings of the National Academy of Sciences*, 112(34), 10651-6.

### **Topic 7: The role of incentives**

- Burns, N., Kedia, S., 2006. The impact of performance-based compensation on misreporting. *Journal of Financial Economics*, 79(1), 35-67.
- Efendi, J., Srivastava, A., Swanson, E. P., 2007. Why do corporate managers misstate financial statements? The role of option compensation and other factors. *Journal of Financial Economics*, 85(3), 667-708.
- Harris, J., Bromiley, P., 2007. Incentives to Cheat: The Influence of Executive Compensation and Firm Performance on Financial Misrepresentation. *Organization Science*, 18(3), 350-67.
- Schweitzer, M., Ordoñez, L., Douma, B., 2004. Goal Setting as a Motivator of Unethical Behavior. *Academy of Management Journal*, 47(3), 422-32.

### **Topic 8: Whistleblowing**

- Dyck, A., Morse, A., Zingales, L., 2010. Who Blows the Whistle on Corporate Fraud? *The Journal of Finance*, 65(6), 2213-53.
- Kaptain, M., 2011. From Inaction to External Whistleblowing: The Influence of the Ethical Culture of Organizations on Employee Responses to Observed Wrongdoing. *Journal of Business Ethics*, 98(3), 513-30.
- Miceli, M., Near, J. P., Dworkin, T. M., 2009. A word to the wise: How managers and policy-makers can encourage employees to report wrongdoing. *Journal of Business Ethics*, 86(3), 379-96.
- Reuben, E., Stephenson, M., 2013. Nobody likes a rat: On the willingness to report lies and the consequences thereof. *Journal of Economic Behavior and Organization*, 93, 384-91.

### **Topic 9: Managing compliance: What works and what doesn't?**

- Bazerman, M. H., 2014. Becoming a first-class noticer. How to spot and prevent ethical failures in your organization. *Harvard business review*, July-August.
- Gino, F., Krupka, E. L., Weber, R. A., 2013. License to cheat: Voluntary regulation and ethical behavior. *Management Science*, 59(10), 2187-203.
- Gollwitzer, P. M., 2009. Implementation Intentions: Strong Effects of Simple Plans. *American Psychologist*, 54(6), 493-50.
- Stevens, B., 2008. Corporate Ethical Codes: Effective Instruments for Influencing Behavior. *Journal of Business Ethics*, 78(4), 601-609.
- Treviño, L. K., Weaver, G. R., Gibson, D. G., Toffler, B. L., 1999. Managing Ethics and Legal Compliance: What Works and What Hurts. *California Management Review*, 41(2), 131-51.
- Treviño, L. K., Brown, M., 2004. Managing to be ethical: Debunking five business ethics myths. *Academy of Management Executive*, 18(2), 69-81.