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Navigating Compliance: Strategic Approaches Across Industries

An Examination of Organizational Structures and
Responses to Regulatory Changes
Master's Thesis in the Supply Chain Management Master's Programme

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SUMMARY

This master's thesis explores the organization of compliance functions within six diverse case companies, analysing how they adapt to new regulations and manage their supply chains considering evolving compliance demands. Through detailed interviews, this study delves into the variances in compliance structures, ranging from centralized to decentralized models, and assesses their efficacy in meeting industry-specific regulatory standards.

Central to this analysis is the impact of organizational structure on the strategic management of compliance. Companies with centralized compliance functions demonstrate a unified approach to managing changes, leveraging robust monitoring systems and legal departments to stay alert of regulatory developments. Conversely, companies which employ decentralized strategies rely on flexibility and sector-specific adaptations, showing a strong preference for using informal networks and cross-departmental collaborations to address compliance needs.

Additionally, the thesis examines the dynamic interplay between compliance practices and supply chain management. It highlights the implementation of risk-based approaches aligned with ISO 31000 framework principles, where companies categorize suppliers by risk levels to streamline due diligence and enhance monitoring precision. This is particularly crucial as companies increasingly integrate digital tools like AI and cloud-based platforms to monitor compliance across their supply chains more effectively.

Looking towards future challenges, the research discusses the strategic shifts necessary to accommodate new compliance landscapes, such as the CSDDD directive. Companies are not only optimizing their internal operations but also engaging with external stakeholders like policymakers and customers to forge compliant, resilient supply chains.

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Keywords: Compliance management, Supply chain management, CSDDD, Regulations, Compliance function

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Abbreviations

AI - Artificial Intelligence

BPM - Business Process Management

CLO - Chief Legal Officer

CMS - Compliance Management System

CoC - Code of Conduct

CSDDD - Corporate Sustainability Due Diligence Directive

CSRD - Corporate Sustainability Reporting Directive

EDPB - European Data Protection Board

ENAC - European Network of Civil Aviation Authorities

ESG - Environmental, Social, and Governance

GDPR - General Data Protection Regulation

HR - Human Resources

IoT - Internet of Things

ISO - International Organization for Standardization

SEC - Securities and Exchange Commission

TPM - Total Productive Maintenance

1. Introduction

In this chapter, a background of the thesis is presented, motivating the relevance of the problem description. This is followed by a description of the thesis' aim and research questions.

1.1 Background

The importance of a well-functioning supply chain and the reliance on suppliers in today's business world cannot be overstated. A robust supply chain serves to provide a smooth and efficient movement of goods and services between manufacturers, consumers, and other actors, which links multiple processes and entities across global networks (Chang et al., 2012). According to Ivanov (2023), the interconnected nature of supply chains enables companies to leverage comparative advantages such as lower production costs, specialized expertise, and access to new markets. Furthermore, this system of interconnected networks is usually characterized by the need to have a collaborative approach, fostering partnerships that can lead to innovation and improved market responsiveness. Such synergies, as outlined by Ivanov (2023), highlights the strategic significance of supplier relationships in enhancing supply chain resilience and competitiveness.

The evolving global business environment, marked by increasing regulations and changing product demands, highlights the importance of managing compliance within supply chains. As Sheffi (2020) asserts, the emergence of new regulations, especially in the areas of environmental sustainability, labour practices, and data protection, has compelled companies to conduct supply chain audits and reassess their supplier relationships. Furthermore, these regulatory changes affect not only the operational and financial aspects but also the ethical and social facets of business activities. Therefore, companies are now more proactive than ever in incorporating compliance into their risk management and business strategies to mitigate risks and seize opportunities (Sheffi, 2020). This shift in perspective underscores the growing interdependence between compliance and supply chain management, emphasizing the need for integrated approaches that cover legal, ethical, and operational dimensions.

The impact of globalization on supply chains highlights the importance of environmental, social, and governance (ESG) principles. Companies worldwide are acknowledging the critical need to adjust their business operations to meet diverse regulatory landscapes. This shift, highlighted by changing global regulations and a focus on sustainability, has evolved from important to indispensable, as noted by Cornander et al. (2023). Enterprises need to be more open and transparent about their supply chain, determine what sustainability challenges they face, and come up with the appropriate methods to confront these issues. This approach is reinforced by

findings from PwC (2022), which highlight evolving ESG regulations and supply chain risks as prominent challenges faced by companies today. This underscores the necessity of integrating ESG into supply chain management.

Additionally, Das (2023) claims that managerial actions together with a good policy system can considerably improve a company's ESG performance. This is highlighted by the worldwide move towards sustainable supply chain initiatives, improving overall ESG outcomes. The shift towards ESG in supply chain management is a global trend that pushes businesses towards more sustainable and responsible practices. As a result, ESG factors become an essential element of the overall corporate compliance, ensuring that companies meet regulatory requirements while fostering ethical business practices worldwide.

However, the move towards thorough compliance is challenging. Companies often face significant hurdles in managing their supply chains to meet new regulatory demands. This involves not only revising supplier contracts and enhancing audit processes but also implementing advanced technological solutions for better compliance tracking and reporting. Rakha (2023) notes that digitalization in supply chain management introduces tools for monitoring compliance and ensuring transparency. Technologies like blockchain for traceability and AI for risk assessment are changing the way companies handle compliance, enabling real-time monitoring and proactive risk management. Nevertheless, adopting these technologies demands significant investment and a shift in organizational culture. This highlights the need for a balanced approach, integrating technological advancements with human considerations (Rakha, 2023).

Compliance policies vary widely from one company to the next, influenced by factors like sector and global reach. For instance, big multinational firms may opt for a centralized approach to ensure consistency worldwide (Grunert, 2020). In contrast, smaller companies might go for a more localized strategy, fitting their methods to the specific laws and market dynamics of each region (Grunert, 2020). These differences reflect the complex nature of today's supply chain management, where companies must navigate numerous regulations while aiming to remain efficient and ahead of the competition. Moreover, the influence of these policies on supply chain management is significant, influencing everything from procurement practices to customer relationships (Grunert, 2020). As companies adapt to these changes, the role of compliance in shaping future supply chain strategies becomes increasingly significant.

1.2 Problem description

When companies work with compliance, there is no one correct way of doing it. Sadiq and Governatori (2015) states that there are three compliance strategies, encompassing of corrective, detective, and preventative measures. Corrective actions address new regulations or breaches and aim to position the organization positively

with regulators. Detective actions include traditional and automated audits for after-the-fact issue identification. However, these approaches often face sustainability issues due to rapidly evolving compliance requirements (Sadiq and Governatori, 2015).

Sadiq and Governatori (2015) also addresses the complexities of implementing compliance by design in organizations, addressing the challenges of interpreting vague regulations and incorporating necessary checks within business processes. There is a need for a structured approach, like a control's directory, to manage diverse compliance requirements across various standards and regions. Sadiq and Governatori (2015) also highlight the importance of conceptual alignment to ensure a common understanding among stakeholders and propose a model-driven approach for effective compliance management. This approach emphasizes integrating compliance requirements into business processes to maintain a proactive compliance posture.

Another aspect affecting the ongoing compliance work in a firm is the sector in which it operates, which is influenced by each industry's unique risks and regulatory requirements. For instance, Weiss (2017) illustrates that the telecommunications sector, particularly in the Telia case, focuses more on anti-corruption compliance. Telia's significant settlement, due to bribery allegations, highlights the sector's vulnerability to such risks and the resulting need for stringent anti-corruption measures. Conversely, companies in sectors that are more product-centric might prioritize product security and adherence to specific product regulations to ensure consumer safety and meet legal standards. This differentiation in compliance focus is crucial for companies to effectively mitigate risks pertinent to their operational environment and industry standards.

Recognizing that different industries prioritize various compliance issues, it becomes intriguing to examine how firms currently manage their compliance efforts. While all companies must address universal concerns like environmental and human rights, their compliance functions may emphasize different areas. Thus, exploring the diverse focuses and current practices of compliance functions within major Swedish companies, with a global presence, presents valuable insights. That is, insights into how different industries might set up their compliance strategies to address different industry risks and regulatory demands.

In addition to dealing with complex compliance issues in their operations, companies are now facing new and forthcoming regulations and directives. The Corporate Sustainability Reporting Directive (CSRD), already in effect, has notably increased the sustainability reporting requirements for businesses (European Commission, 2023). Another significant regulation that may soon come into effect is the Corporate Sustainability Due Diligence Directive (CSDDD). This directive would enhance companies' obligations to comply with new standards related to human rights and sustainability throughout their operations and extended supply chains (Council of the

EU, 2023). These broader, more general directives require significant adaptation by most companies. Additionally, businesses are impacted by industry-specific regulations, such as the new machinery regulation, which primarily affects product-centric industries (Official Journal of the European Union, 2023). Given these developments, understanding how companies navigate and implement both broad and specific new regulations in their operations presents a compelling area of study. Additionally, it becomes valuable to examine which regulations companies consider most relevant to their business.

New regulations significantly impact companies' supply chains, especially considering the growing globalization and digitization. While the CSDDD has not yet been implemented, a directive that would require companies to gain deeper insights into their supply chains, there has been a notable shift towards greater ESG principles. This change raises concerns about whether businesses have increased their expectations on suppliers regarding ESG standards and how they ensure compliance within their supply chains. In addition to being relevant to ongoing operations, companies also need to ensure future compliance within the supply chain. When new regulations are introduced or when stakeholders heighten their demands, companies should maintain an efficient process that allows them to quickly ensure their suppliers are following the updated requirements.

1.3 Aim and research questions

The aim of this report is to investigate the various compliance management approaches employed by companies and their effects on supply chain operations. Specifically,

it will explore the organization and strategies of compliance functions, and the obstacles encountered in ensuring supply chain compliance. Additionally, the report seeks to understand the implications of new regulations on company operations and the measures taken to adapt to these changes effectively. To achieve this objective, the following three central research questions have been formulated:

- How do different companies organize their compliance functions?
- How do new regulations impact company operations?
- How does compliance work affect companies supply chains, and how do they maintain compliance over time in the supply chain?

2. Framework

In the corporate setting, compliance refers to following the rules, laws, policies, and directives applicable to company operations. In addition to legal obligations, compliance is essential for promoting ethical integrity, protecting an organisation's reputation, and building trust among stakeholders. In the current rapidly evolving global corporate landscape, the importance of compliance has grown, requiring a comprehensive approach to efficiently handle regulatory risk and uphold strong ethical principles. This approach aids in mitigating legal liabilities and setting a benchmark for corporate governance that significantly impacts organisational culture and strategic decision-making (Snell et al., 2016).

2.1 Theoretical models for compliance

Understanding the complicated nature of compliance is essential for organisations trying to manage the many regulations that control their operations in the complex realm of corporate governance. Compliance theories offer a framework for understanding how and why organisations adhere to legal and ethical standards, beyond the simplistic avoidance of penalties. This chapter begins by exploring the Normative Compliance Theory, which posits that an organisation's adherence to rules is not merely about evading sanctions or reaping rewards. Instead, this theory suggests that compliance is deeply rooted in ethical responsibilities and moral obligations, reflecting an inherent commitment to societal norms and values.

This theoretical perspective is instrumental in understanding the internal motivations of organisations as they strive to align their operations with broader societal expectations. By examining this theory alongside others, such as Deterrence Theory and Responsive Regulation, we gain a comprehensive view of the different forces that influence organisational behaviour in regulatory contexts. Each theory provides unique insights into the strategies that can be employed by regulatory bodies to enhance compliance and ensure that corporate actions are in harmony with legal and ethical standards.

2.1.1 Normative compliance theory

The theory of normative compliance suggests that organisations' commitment to rules goes beyond simply avoiding fines or seeking rewards. It involves a deeper sense of moral obligation, ethical responsibility, and conformity to societal norms. Tyler (2006) argues that this theoretical approach places a greater emphasis on internal values rather than external pressures, thereby emphasising an organisation's intrinsic motivation to conform its behaviours to ethical standards and societal expectations.

The following aspects are the key components of normative compliance (Tyler, 2006):

- 1 Moral obligation: According to Tyler (2006), organisations are motivated by a deep commitment to respect the text and spirit of the law as well as a moral stance that goes beyond required by law. This dedication is frequently based on the organisation's fundamental objectives and principles, which give importance to ethics and honesty. Developing a culture of ethical leadership within companies greatly promotes an environment that encourages adherence to norms.
- 2 Social responsibility: Expanding on Tyler's (2006) claims, organisations view themselves as essential parts of the larger society, which motivates them to participate in activities that improve the well-being of society. These practices include ensuring fair treatment of workers, taking care of the environment, and actively engaging with the community. This demonstrates a comprehensive dedication to social responsibility.
- 3 Reputation and trust: Tyler (2006) suggests that organisations can align their operational procedures with society expectations and norms by actively engaging with stakeholders and implementing consistent compliance initiatives. This alignment not only enhances the organisation's reputation but also promotes trust among stakeholders, such as investors, consumers, and regulators. Consequently, adhering to ethical principles becomes a strategic benefit, promoting a long-term competitive edge.

Additionally, Tyler (2006) acknowledges that moral standards can range significantly between various cultural contexts, making it difficult to develop standards of behaviour that are commonly accepted. Organizations face problems when moral obligations collide with profit-driven goals, especially when moral behaviour has a financial price.

2.1.2 Deterrence theory

The theoretical framework of deterrence theory is essential for understanding regulatory compliance. It suggests that the implementation of real or expected penalties can effectively ensure compliance. This idea is based on Becker's (1968) influential idea that rational individuals refrain from engaging in non-compliant behaviour when the potential costs, especially fines, are greater than the benefits. The following aspects are the key components of deterrence theory (Becker, 1968):

- 1 Sanction severity and certainty: Becker (1968) highlights that important factors in deterring infractions are the punishments' severity and certainty. It is believed that more severe punishments can enhance the deterrent impact by increasing the expenses associated with not following the rules. The

possibility of being discovered and punished also strongly strengthens this impact, as people balance the potential benefits of breaking the law against the risk of getting caught.

- 2 Prompt implementation: The efficacy of deterrence is also contingent upon the promptness with which sanctions are enforced subsequent to infractions. Becker (1968) asserts that prompt replies enhance the deterrence technique by confirming the correlation between non-compliant behaviour and its consequences.
- 3 Deterrence theory is based on the fundamental premise that every individual and organisation conduct a logical evaluation of the potential costs and benefits before taking any action. Nevertheless, this assumption may not universally hold true (Becker, 1968). Ethical and practical considerations arise when relying solely on deterrence, as it can create excessively harsh environments that have the potential to erode trust and culture inside an organisation. Furthermore, in complex regulatory environments, it may be challenging to accurately detect infractions and apply sanctions, which can make the practical use of deterrence problematic (Becker, 1968).

2.1.3 Responsive regulation

Responsive regulation, established by Ayres and Braithwaite (1992), presents a dynamic method of regulatory enforcement that responds to the conduct of the regulated businesses. This approach is founded on the idea that different regulatory actions (ranging from supportive to penalising) should be taken depending on the organisation's capacity and motivation to comply. The following aspects are the key components of responsive regulation (Ayres and Braithwaite, 1992):

- 1 Dialogue and engagement are crucial components of responsive regulation since they prioritise proactive interaction between regulators and regulated companies. This approach prioritises early dialogue and persuasion as fundamental strategies. Rather of depending exclusively on coercive tactics, regulators hope to encourage organisations to comply voluntarily by fostering mutual understanding and providing educational help. This approach facilitates the development of collaborative relationships that have the potential to result in longer lasting and more efficient adherence.
- 2 Adaptive Enforcement refers to the practice of adjusting and modifying enforcement strategies in response to changing circumstances or conditions. One characteristic that defines responsive regulation is its adaptable approach to enforcing rules and regulations. Regulators have the capability to both escalate and de-escalate their interventions based on the actions and responsiveness of the organisations being regulated. The primary goal is to achieve compliance with the least amount of coercion necessary, adjusting the

intensity of enforcement dynamically. This adaptive approach ensures that regulatory measures are proportionate to the situation, promoting fairness and efficiency in achieving compliance objectives.

The implementation of responsive regulation presents considerable challenges that can have an impact on its efficiency. Resource intensity is a big worry since this strategy calls for active participation and ongoing monitoring, which might put a strain on the resources of regulatory bodies with limited funding. This issue gets worse in situations where there is a lack of cooperation and goodwill from regulated firms, particularly in highly competitive or low-trust sectors. Furthermore, whereas responsive regulation is inherently flexible, this flexibility could give stakeholders the impression that it is unjust and inconsistent.

The regulatory pyramid is a fundamental concept in responsive regulation, which suggests a range of interventions starting from less coercive measures at the bottom and up to more punitive acts at the top. This framework enables regulators to modify their actions in accordance with the compliance conduct of corporations, promoting compliance with minimal use of force (Ayres & Braithwaite, 1992).

The enforcement pyramid, initially proposed by Ayres and Braithwaite (1992) and later examined by Gunningham (2010), is an effective strategy employed by regulators to adjust their enforcement actions in response to the level of compliance exhibited by businesses. The process begins with the implementation of non-coercive approaches such as providing instructions and assistance to promote voluntary adherence. If non-compliance persists, the severity of penalties is escalated as a means of deterrence. A few aspects of the enforcement pyramid are the following (Gunningham, 2010):

- 1 Informal Guidance and Advice: Provides non-punitive support to help entities understand and comply with regulations.
- 2 Warnings: Signals the need for corrective actions if initial compliance is not achieved.
- 3 Soft Penalties: Introduces minor penalties to promote compliance without significant hardship.
- 4 Hard Penalties: Implements more severe penalties for persistent non-compliance.
- 5 Litigation: Employs the most severe measures, reserved for the most serious violations.

Gunningham (2010) emphasises that the enforcement pyramid serves as both a deterrent and a means to cultivate a culture of adherence that is in line with wider environmental and regulatory objectives, therefore making it a crucial instrument for attaining sustainable compliance. This methodical approach guarantees a balanced

and transparent regulatory framework by prioritising the principles of proportionality and predictability in regulatory actions. The pyramid's design assumes that the majority of organisations will willingly adhere to the appropriate incentives and assistance. This design enables a gradual escalation in the level of enforcement to tackle ongoing infractions.

2.1.4 Smart regulation

Smart regulation is an advanced regulatory framework that is specifically engineered to optimise the efficiency and efficacy of policy execution. This approach, first proposed by Gunningham and Sinclair (1999), emphasises the need for regulations that are not only transparent and enforceable but also sufficiently adaptable to evolving conditions and technological developments. The primary objective is to optimise the results of policy actions while minimising the regulatory burden, with the following key components (Gunningham & Sinclair, 1999):

- 1 **Stakeholder Involvement:** Incorporating a wide variety of stakeholders into the regulatory process is fundamental to smart regulation. By incorporating the viewpoints and knowledge of all relevant stakeholders, this promotes the development of regulations that are not only functional but also widely accepted (Gunningham & Sinclair, 1999).
- 2 **Multi-Instrument Mix:** A combination of economic incentives, voluntary agreements, and traditional command-and-control mechanisms constitute smart regulation. By combining these elements, a compliance strategy that is more comprehensive and resilient can be developed, capable of handling a wide range of industry dynamics and regulatory requirements (Gunningham, 2010).
- 3 **Outcome-Focused:** In contrast to conventional regulatory approaches that may place emphasis on processes or inputs, smart regulation places a higher priority on outcomes. By keeping this in mind, regulatory actions are more likely to be in line with broader policy goals, thus increasing their efficacy (Gunningham, 2010).

Gunningham (2010) examines the implementation of smart regulation in diverse sectors and argues in favour of a method that surpasses conventional government enforcement mechanisms. This strategy involves using the influence of non-commercial third parties, including business entities and non-governmental organisations, in order to monitor regulatory processes and ensure adherence to compliance standards. Gunningham (2010) highlights the following enforcement tools in smart regulation that should be used.

- 1 Direct regulation: Conventional command-and-control approaches that require adherence to established standards.
- 2 Market-Based Instruments: Instruments such as tradable permits, taxes, and subsidies employ financial incentives for aligning market behaviours with regulatory objectives.
- 3 Voluntary Measures: Efforts made by businesses to surpass minimal compliance standards in pursuit of advantages such as an improved reputation or competitive edges.

Smart regulation seeks to optimise resource allocation for regulatory enforcement and increase compliance rates. By allocating regulatory responsibilities among multiple stakeholders and utilising a wide range of instruments, this methodology enables a more resilient and adaptive enforcement strategy that is tailored to industry-specific hazards and procedures (Gunningham, 2010).

2.1.5 Risk Management framework

Risk management is an essential aspect of organisational governance, providing a structured approach to managing uncertainty related to threats and opportunities. The International Organisation for Standardisation (ISO) created ISO 31000, a universal standard intended to assist businesses of all shapes and sizes in efficiently managing risks across a range of sectors and industries. According to Purdy (2010), the initial publication of ISO 31000 in 2009 aimed to provide businesses and practitioners with an internationally recognised structure for developing risk management strategies. In 2018, modifications were made to account for shifts in market conditions and the dynamic characteristics of risk. The framework was developed by a global consortium of experts in risk management in an effort to establish a benchmark that would transcend national and industry boundaries.

The ISO 31000 framework provides principles, guidelines, and a process model designed to assist organisations in developing a risk management strategy that effectively manages risks within their operational contexts. The core objectives of ISO 31000 include (ISO, 2018):

- 1 Enhancing the likelihood of achieving objectives
- 2 Encouraging proactive management of risk across all organisational activities
- 3 Increasing the identification of opportunities and threats
- 4 Complying with necessary legal and regulatory requirements and international norms
- 5 Improving financial reporting
- 6 Improving governance

- 7 Increasing stakeholder confidence and trust Establishing a reliable basis for decision-making and planning Improving controls and operational effectiveness and efficiency
- 8 Enhancing health and safety performance, as well as environmental protection Improving loss prevention and incident management
- 9 Minimising losses
- 10 Improving organisational learning

ISO 31000 standard was developed based on the principle that risk management is an integral part of all organisational processes. It is a process that involves strategy, planning, and execution at every level of an organisation; it is not a one-time occurrence. The adaptability and scalability of the framework allows it to be tailored to meet the various requirements and risk profiles among various organisations (Hubbard, 2009).

Prior to implementing ISO 31000, a business must have a thorough understanding of its environment, identify potential risks, assess their likelihood and impact, and implement the appropriate management controls. By encouraging a continuous cycle of evaluation, planning, execution, and monitoring, the framework ensures that risk management techniques can adjust in response to changes in the internal and external environments of the organisation.

The strategic importance of ISO 31000 lies in its universal applicability and focus on integrating risk management into the leadership and decision-making processes within an organisation. In addition to improving an organisation's ability to manage uncertainties and crises, this strategy promotes a risk-aware culture, which increases the organisation's general resilience and adaptability (Renn, 2008).

ISO 31000 shows that risk management is currently acknowledged as an essential component of strategic governance. Organisations can enhance their ability to navigate the complexities of risk within their specific contexts by utilising ISO 31000 as a framework that is transparent, structured, and flexible. ISO 31000 has attained a fundamental status in modern risk management methodologies due to its establishment and ongoing expansion. This recognition signifies the increasing complexity associated with the management of business and operational risks.

2.2 Regulatory Environments: EU, US & Asia

This analysis aims to examine the regulatory frameworks in the European Union (EU), United States (US), and Asia, and assess how these varied frameworks influence the strategy and operations of global businesses. Understanding the intricacies of international regulatory environments has become a critical requirement for multinational corporations seeking to optimise their operations and abide by local

legislation in the age of globalisation. Asia, the European Union, and the United States each pose distinct regulatory obstacles that can have a substantial impact on business strategies.

2.2.1 Regulatory Environments in EU

The European Union is widely acknowledged for its stringent regulatory framework, which places significant emphasis on data security, environmental sustainability, and consumer protection. The General Data Protection Regulation (GDPR), which establishes a worldwide benchmark for data protection and imposes stringent data processing and handling regulations on all businesses operating within the EU, went into effect in 2018. According to the European Parliament (2016), failure to comply may lead to significant penalties of €20 million or 4% of annual global sales, whichever amount is greater. In addition, the regulation mandates substantial modifications to data procedures.

Furthermore, the progressive environmental policy of the European Union, exemplified by the Green Deal, strives to achieve climate neutrality by the year 2050 and reduce greenhouse gas emissions by at least 50 percent by 2030 (European Commission, 2020). Insisting that businesses reevaluate their supply chains and develop green technologies constitutes both a challenge and an opportunity for development via sustainability within this policy framework.

Particularly regarding chemical safety and environmental sustainability, the conception of EU legislation exemplifies the Union's proactive stance in addressing global issues. The RoHS (Restriction of Hazardous Substances) directive and REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) regulation serve as prominent example:

- 1 The European Union established the REACH Regulation in 2007 with the goal of enhancing the protection of the environment and human health by identifying the fundamental properties of chemical compounds more accurately and earlier (European Commission, 2007). Under this regulation, companies are under an extreme obligation to manage chemical risk and provide safety information.
- 2 RoHS Directive: The RoHS directive restricts the use of specific hazardous elements present in electrical and electronic equipment (EEE) and went into force in July 2006. Because imports into the EU must adhere to RoHS regulations, the directive affects manufacturers both inside and outside of the EU as well as global supply networks. The requirement has resulted in important changes to product design, the procurement of substitute materials,

and enhanced recycling and waste management procedures. (European Commission, 2006).

Regarding environmental sustainability and corporate ethics in particular, Sweden's approach to corporate governance and compliance reflects its strong cultural and legal commitment to ethical business conduct. The nation's adherence to EU directives and the Swedish Corporate Governance Code serves as proof of this commitment.

- 1 Swedish company governance code: Although optional, the code establishes strict guidelines for corporate governance in Sweden with a focus on accountability, transparency, and ethical business practices (Svensson et al., 2010). It encourages businesses to implement best practices that go above and beyond legal minimums, which enhances statutory standards. Svensson et al (2010), examines how the Swedish Corporate Governance Code improves stakeholder trust and corporate transparency, demonstrating how the Code helps to foster an ethical and responsible culture in the Swedish corporate sector.
- 2 Environmental innovation and compliance: German producers are known for being leaders in environmental sustainability, they frequently go above and beyond legal requirements to innovate and enhance environmental performance. Rennings et al. (2006), conducted a study that demonstrates how environmental restrictions have stimulated innovation in manufacturing enterprises, resulting in the creation of new, environmentally friendly goods and methods. This is a prime example of how corporate goals and society ideals may be aligned with compliance, acting as a driver for sustainable innovation.

A comprehensive regulatory framework has been established by the European Union (EU) with the primary objectives of safeguarding personal data, promoting environmental sustainability, and ensuring ethical business practices. Among these measures, GDPR has been a cornerstone, influencing international enterprises that deal with the data of EU people and establishing a new standard for data privacy and security across member states (European Commission, 2018). In the realm of manufacturing, where digital integration is progressively becoming more prevalent, adherence to these regulations offers a range of prospects and obstacles.

Operations in the manufacturing industry have had to undergo considerable alterations as a result of the GDPR. Adoption of digital technologies like blockchain, AI, and the Internet of Things (IoT) necessitates careful consideration of privacy and data security. Compliance involves ensuring data minimization, securing consent, and providing transparency around data processing activities, a challenging endeavour given the vast amounts of data generated (Smith et al, 2020).

The impact of GDPR extends beyond individual firms and includes the entire supply chain. It is the responsibility of manufacturers to make sure that their partners and suppliers follow GDPR, which calls for the adoption of safe data-sharing procedures (European Commission, 2021). Consequently, inventive methodologies have surfaced, such as the implementation of blockchain technology, for improving traceability and transparency in supply chains.

The regulatory environment within the EU continues to evolve, with ongoing discussions around new regulations for AI and digital services. New laws require manufacturers to be adaptable and modify their compliance strategies accordingly. This requires monitoring legislative developments and integrating compliance concerns into strategic planning and initiatives for innovation (European Commission, 2021). Adhering to this environment requires a proactive approach that leverages technological advancements and innovative thinking to ensure compliance and sustain competitiveness in the global marketplace.

Utilising a variety of mechanisms, the EU has established a robust framework for enforcing compliance with its regulations. This framework ensures that all industries, including manufacturing, adhere to standards concerning worker safety, environmental sustainability, and data protection. Specifically, the implementation of the GDPR demonstrates the European Union's dedication to protecting personal information in the era of digital transformation.

Regular audits and inspections are fundamental tools used by EU regulatory bodies to enforce compliance. The purpose of these activities is to evaluate and authenticate the compliance of businesses with European Union regulations, specifically GDPR compliance in manufacturing processes that utilise digital technologies like AI and IoT. The European Data Protection Board (EDPB), for example, directs national data protection authorities in their assessments of companies that process personal data and supervises the implementation of GDPR (European Data Protection Board, 2021).

When non-compliance issues are identified, companies are often required to undertake corrective actions and develop remediation plans. This process is designed to address and prevent future compliance failures, emphasising the need for continuous improvement in compliance practices (Smith et al, 2020). To adhere to newly enacted legislation, manufacturers who employ digital technologies are frequently required to revise their privacy and data security policies.

In addition to penal sanctions, the European Union provides incentives to encourage adherence to regulatory standards. These incentives may consist of recognition programmes, reduced inspection rates, and access to specific benefits for compliant companies, they serve to motivate manufacturers to take on compliance challenges. These incentives emphasise the advantages of implementing cutting-edge

technologies in a compliant way, giving businesses a competitive advantage in the global marketplace.

2.2.2 Regulatory Environments in US

Unlike the EU's centralised approach, the US regulatory environment is characterised by a combination of federal, state, and local regulations, which can vary widely and create a complex compliance landscape. For instance, the absence of a federal privacy law results in a patchwork of state laws like the CCPA, which introduces GDPR-like requirements for businesses operating in California (State of California, 2018).

The approach to environmental regulation in the United States is likewise fragmented. While federal laws such as the Clean Air Act set baseline standards, states often have the autonomy to enforce stricter regulations, as seen in California's stringent vehicle emissions standards. Businesses that operate in multiple states may incur inefficiencies and higher expenses as a result of this decentralised regulatory approach; therefore, they require a compliance strategy that is both flexible and well-informed (U.S. Environmental Protection Agency, 1970).

2.2.3 Regulatory Environments in Asia

Asia's regulatory landscape is highly diverse, reflecting the varied political, economic, and cultural contexts across the region. China has witnessed an increase in cybersecurity and data protection regulations in recent years, following a worldwide trend towards enhanced data security (Cyberspace Administration of China, 2017). The Cybersecurity Law of 2017, for instance, imposes strict requirements on data localization and the transfer of personal information outside of China, significantly impacting foreign businesses.

Conversely, countries like Singapore represent a more regulatory-friendly environment, though strict in areas like financial regulation and data protection. The balance Singapore strikes between fostering a pro-business environment and maintaining high regulatory standards offers a model of regulatory governance that supports both economic growth and high compliance standards (Personal Data Protection Commission Singapore, 2012).

Diverse regulatory frameworks in the European Union, the United States, and Asia present multinational corporations with unique challenges and opportunities. In addition to knowledge of these regulations, effective global compliance necessitates an adaptable strategy capable of navigating the complexities of these various environments. As such, companies must invest in regulatory intelligence and adapt their business models and compliance strategies to align with local laws and cultural

norms, thereby enhancing their competitive advantage and ensuring sustainable operations.

2.4 The compliance function

Compliance functions have a crucial function in ensuring that organisations comply with laws, regulations, and ethical standards. Their organisational structure can have a substantial influence on their ability to effectively promote and uphold regulatory compliance across the entire organisation.

2.4.1 Structure of compliance function

The organisation of compliance departments can be either centralised or decentralised. A centralised model involves the presence of a single compliance department that contributes to the entire organisation, hence improving uniformity and authority over compliance practices throughout all branches and divisions (Paine, 1994). On the other hand, a decentralised approach consists of several compliance units located in different departments or areas. This allows for customised compliance processes that can better address individual local requirements (Dalton & Dittman, 2012).

Integration with Corporate Governance: Effective compliance departments are often integrated into the corporate governance framework of the organisation. This integration ensures that the management of compliance is in line with wider corporate governance and risk management initiatives, improving the overall integrity of the organisation (Krawiec, 2003).

2.4.2 Roles in compliance function

The Chief Compliance Officer (CCO) is the head of the compliance department and is responsible for supervising the organisation's compliance programme (Snell et al, 2016). The CCO reports directly to senior management and the board of directors. The Chief Compliance Officer (CCO) has a vital responsibility in establishing the atmosphere of adherence to regulations inside the organisation and ensuring that risks related to compliance are properly recognised and controlled (Snell et al, 2016).

Compliance analysts and managers have the duty of formulating compliance rules, performing risk assessments, and overseeing adherence to regulatory obligations. In addition, they are responsible for managing the daily activities of the compliance programme, which involves training staff and doing audits (Weaver et al, 1999).

Legal advisors in the compliance department offer legal guidance and counsel on regulatory issues, guaranteeing that the company's policies and actions adhere to legal requirements. They have a crucial function in understanding intricate regulatory mandates and managing the organisation over regulatory hurdles (Miceli et al, 2008).

2.4.3 Compliance strategies

Sadiq and Governatori (2015) offer a comprehensive view on the dynamics of compliance within organisations, identifying three primary compliance strategies: corrective, detective, and preventative. These strategies represent different approaches to managing compliance, each with unique implications for business operations and regulatory adherence. Corrective strategies are reactive, addressing issues after they have occurred to realign with regulatory expectations. Detective strategies involve monitoring and audits to identify non-compliance issues once they have occurred. Preventative strategies, advocated by Sadiq and Governatori (2015), integrate compliance measures into the daily operations and culture of organisations, aiming to prevent non-compliance from occurring in the first place.

Sadiq and Governatori's (2015) study emphasises the dynamic nature of regulatory compliance within business processes, advocating for a "compliance by design" framework. This approach integrates compliance requirements directly into Business Process Management (BPM), allowing organisations to proactively address compliance through their operational workflows (Sadiq et al, 2015). Such integration is crucial in ensuring ongoing alignment with regulatory standards and enhancing the quality of service, thus reducing the risk of non-compliance and its associated costs.

Gunningham (2010) examines the relationship between business sustainability and environmental compliance, highlighting the contribution of regulatory frameworks to the adoption of environmentally friendly practices. According to Gunningham (2010), compliance is no longer only about following the law. Rather, it now also reflects market forces and cultural expectations by strategically aligning with broader environmental goals. The effectiveness of compliance strategies in achieving environmental sustainability is contingent upon their ability to evolve in response to technological advancements and changes in environmental policy. The insights provided by Gunningham highlight the need for flexible compliance frameworks that can encourage innovation and sustainable business practices while adhering to regulatory requirements (Gunningham, 2010).

2.5 Impact of new regulation

The implementation of new EU laws has a substantial impact on industrial operations, necessitating enterprises to modify their strategies and procedures to adhere to rigorous compliance standards. This adaptation is essential not just to ensure

adherence to regulatory requirements but also to sustain competitiveness and capitalise on market opportunities.

Manufacturing businesses frequently must adjust their strategic goals to comply with new requirements, especially those pertaining to environmental standards, safety, and product quality. For example, the European Union's legislation for the reduction of carbon emissions may require enterprises to make investments in environmentally friendly technologies or modify their manufacturing methods in order to minimise their impact on the environment (Porter et al, 1995).

Manufacturers must make operational improvements to guarantee that every aspect of their production lines adheres to EU regulations. This may involve the implementation of new technologies, alterations to current equipment, or adjustments in the acquisition of raw materials to adhere to regulations such as REACH and RoHS (Weaver et al, 1999). In addition, GDPR necessitates manufacturers to safeguard data across all aspects of their operations, impacting their handling of both consumer and staff information (Miceli et al, 2008).

Frequently, substantial expenses are incurred to comply with new EU regulations; these expenses consist of capital investments in new technology, employee training to adhere to new guidelines, and the administrative burden associated with documenting compliance processes (Snell et al, 2016). The expenses might pose a significant difficulty for small and medium-sized firms (SMEs) that function with limited profit margins and may lack the resources to dedicate to meeting regulatory requirements.

Regulations could change the competitive dynamics inside the industrial sector. Companies that are quick to adapt can leverage compliance as a competitive advantage, particularly if they innovate to meet regulatory standards more efficiently than their competitors (Ayres et al., 1992). Nevertheless, strict restrictions can also strengthen markets by benefiting dominant businesses who can readily bear the expenses of adhering to the rules.

EU laws frequently promote innovation by compelling enterprises to create novel solutions that adhere to more stringent criteria. Environmental and safety laws have promoted progress in clean technology, more secure production methods, and sustainable materials. Companies that engage in innovative practices as a direct response to laws have the opportunity to enter new markets and improve their brand recognition (Porter et al., 1995).

2.6 Organisational Culture's influence on Compliance

Organisational culture, defined as the collective values, beliefs, and practices that govern how people behave in organisations, plays a critical role in shaping compliance outcomes (Schein, 2010).

2.6.1 Organisational culture as a catalyst for Compliance

Organisational culture can significantly enhance compliance efforts when it is aligned with regulatory and ethical expectations. Ethical culture, particularly, has been shown to correlate with lower incidences of misconduct and higher rates of rule adherence within organisations.

Tyler (2006) posits that positive organisational norms, such as transparency, integrity, and fairness, naturally encourage compliance. When these values are deeply embedded in the organisational culture, they foster an environment where ethical behaviours are normative and expected. An analysis of Johnson & Johnson's handling of the Tylenol crisis showcases how its strong ethical culture guided its decisive actions, which not only resolved the crisis but also boosted public trust (Kaplan, 2012).

2.6.2 Cultural obstacles to effective compliance

On the other hand, certain cultural elements can pose significant barriers to effective compliance. Organisations with a culture of high-power distance, for example, may find it challenging to enforce compliance norms effectively, as employees may feel discouraged from voicing concerns or challenging unethical directives (Hofstede, 1980).

Hofstede (1980) explores how hierarchical structures in organisations can stifle open communication and diminish the efficacy of compliance programs. High power distance cultures often inhibit employees from reporting unethical behaviours, fearing retaliation or indifference from higher management. A review of the Volkswagen emissions scandal reveals how a rigid corporate culture contributed to widespread unethical practices and compliance failures (Ewing, 2017).

2.6.3 Cultural Transformation

For organisations struggling with cultural barriers to compliance, strategic interventions aimed at culture change are necessary. This involves leadership commitment, realignment of incentives, and comprehensive training programs to foster a compliance-oriented culture. Lewin's (1947) change management model outlines the process of unfreezing, changing, and refreezing, which can be applied to cultural transformation in organisations. Effective change requires not only altering structures and processes but also shifting the underlying cultural norms that govern employee behaviour. One example is Siemens' overhaul after its bribery scandal,

which details how the company transformed its compliance program and culture, leading to significant improvements in its global compliance status (Siemens AG, 2018).

Additionally, organisations operating in multiple countries face the added complexity of aligning their compliance strategies with diverse cultural norms. Thomas (2008) shows the adjustments Procter & Gamble had to make in its operations across different cultural settings. This also highlights the necessity for flexible compliance frameworks that can be adapted to meet the legal and ethical standards of various international markets.

2.7 Impact of Technology in Compliance

In the rapidly evolving technological landscape, compliance mechanisms within organisations are undergoing significant transformations. Technologies such as AI, blockchain, and IoT not only enhance the capabilities of compliance systems but also introduce complex challenges that necessitate adaptive strategies.

2.7.1 Artificial Intelligence

Compliance management is greatly impacted by Artificial Intelligence (AI) as it automates complicated procedures, improves decision-making, and predicts possible breaches of regulations (Adebayo et al., 2022).

AI technologies have the capability to automate several tasks connected to compliance, including data gathering, processing, and reporting. Automation mitigates human mistakes and enhances the efficiency of compliance procedures. For example, artificial intelligence has the capability to autonomously observe and analyse communications and transactions to identify irregularities that could potentially signify non-compliance, such as instances of fraud or corruption. This capability is essential for industries that have strict and ongoing monitoring to adhere to regulatory compliance, such as finance and healthcare (Adebayo et al., 2022).

According to Adebayo et al. (2022) AI in compliance offers a notable benefit in terms of its predictive capacity. Artificial intelligence systems have the capability to examine vast quantities of data in order to detect trends and patterns that could potentially result in future failure problems. Organisations can mitigate the risk of non-compliance and associated penalties by proactively addressing possible problems before they arise. Being proactive is particularly advantageous in regulatory environments that undergo frequent changes, as it is crucial to anticipate and address any concerns in advance.

AI improves decision-making by offering compliance officers and executives with enhanced insights and more precise data. Artificial intelligence (AI) systems have the ability to process and analyse data to a far greater extent than humans. This allows them to provide detailed assessments that can help discover the underlying reasons for compliance concerns. These insights facilitate better decision-making, enabling organisations to customise their compliance plans more efficiently based on their individual risks and regulatory requirements (Adebayo et al., 2022).

2.7.2 Internet of Things

Internet of Things (IoT) technologies enable real-time monitoring of various systems and processes, which is critical for maintaining compliance in sectors such as manufacturing, healthcare, and environmental management. Sensors and interconnected devices have the capability to consistently gather data pertaining to the performance of equipment, environmental conditions, and operational efficiency. By utilising this feature, organisations can promptly detect and resolve compliance concerns as they arise, greatly mitigating the likelihood of infractions and the resulting penalties (Whitmore et al, 2015).

According to Whitmore et al., (2015), IoT enables the gathering of extensive data, which is crucial for conducting audits and verifying compliance. IoT devices produce vast datasets that offer auditors and regulatory agencies in-depth understanding of a company's operating procedures. This data is essential for confirming adherence to rules, such as those pertaining to quality control, safety standards, and environmental protection. The level of detail and accuracy of IoT data ensures that compliance assessments depend on current and accurate data.

IoT devices not only monitor, but also employ advanced analytics to forecast possible breaches of compliance before they happen. Through the examination of data patterns and trends, IoT systems have the capability to predict operational irregularities or failures that could result in non-compliance. By utilising these predictive capabilities, firms are able to proactively address compliance concerns and minimise the chances of expensive disruptions and legal complications (Whitmore et al, 2015).

Although there are advantages to incorporating IoT into compliance efforts, there are also difficulties that arise. The utmost importance is placed on data privacy and security due to the fact that IoT devices frequently gather sensitive information that must be safeguarded in compliance with data protection legislation such as GDPR. Moreover, the incorporation of IoT technology necessitates substantial investment in infrastructure and experience to effectively oversee intricate IoT networks and data systems. Companies must also address the regulatory issues linked to emerging IoT applications and verify that their IoT activities adhere to existing rules (Whitmore et al, 2015).

2.8 Practical instances of Compliance workaround

Three different instances of compliance work will be presented in this section. For the first case, all information is taken from Kaplan (2012), for the second case, all information is taken from Ewing (2017), and lastly for the third case, all information is taken from (Siemens AG, 2018).

2.8.1 The Tylenol Crisis: How Effective Public Relations Saved Johnson & Johnson

Johnson & Johnson's response to the 1982 Tylenol cyanide poisoning, which tragically took seven lives in Chicago, stands as a landmark in corporate crisis management. The company's prompt and morally guided responses to this disaster provide important insights into how a robust ethical culture may direct important decision-making procedures, ultimately protecting and even boosting public trust.

When seven persons in the Chicago region passed away from Extra-Strength Tylenol pills that had been tampered with and poisoned with potassium cyanide in the autumn of 1982, Johnson & Johnson was faced with a grave issue. As soon as the information surfaced, there was a serious risk to the public's health, endangering Johnson & Johnson's standing and the confidence that consumers had in its goods.

Johnson & Johnson's handling of the Tylenol crisis is often cited as the gold standard for crisis management. Here are the key actions they took, driven by their Credo, which emphasised responsibilities to consumers first:

- 1 Immediate product recall: Johnson & Johnson did not wait for a conclusive investigation before acting. The company immediately recalled all Tylenol products from the market nationwide, which cost them over \$100 million. This action was not mandated by law at the time but was taken to ensure consumer safety, demonstrating their prioritisation of public welfare over profits.
- 2 Transparent communication: Throughout the crisis, Johnson & Johnson maintained open lines of communication with the public and the media. They provided regular updates about the steps they were taking, which included not only the recall but also their cooperation with law enforcement agencies to track down the source of the tampering.
- 3 Innovative redesign: In response to the crisis, Johnson & Johnson developed tamper-resistant packaging, which included a triple-sealed package design that became a new standard in the industry. This innovation not only helped to restore consumer confidence in Tylenol but also set a new safety standard for all over-the-counter medications.

- 4 Consumer relations: Once the immediate crisis had abated, Johnson & Johnson issued coupons and took out extensive ad campaigns to reassure the public and encourage them to return to using Tylenol. Their focus was on regaining customer trust and loyalty through consistent, clear, and reassuring messaging.

The decisive and ethical actions taken by Johnson & Johnson during the Tylenol crisis resulted in a rapid recovery of brand trust and loyalty. Within a year, Tylenol had regained a significant share of its pre-crisis market, illustrating the effectiveness of their consumer-first approach. Academics and practitioners often highlight this case as an exemplar of ethical leadership and its role in crisis management. This case is a compelling argument for the integration of ethical considerations into business strategies, particularly in crisis response planning. It serves as a reminder that long-term business sustainability and reputation resilience are built on the foundation of ethical practices.

2.8.2 Inside VW's Campaign of Trickery

The Volkswagen emissions scandal, also known as Dieseldgate, erupted into the public sphere in 2015, revealing that the auto manufacturer had installed software in diesel engines that could manipulate emissions tests. This scandal not only highlighted severe compliance failures but also pointed to deeper issues within the corporate culture at Volkswagen. It serves as a critical case study in how a company's internal culture can drive unethical practices on a global scale.

Volkswagen was found to have used "defeat devices" in their diesel engines, software designed to reduce emissions levels only during regulatory testing, not under normal driving conditions. This deceit affected millions of cars sold worldwide, falsely portraying Volkswagen as a leader in clean and efficient diesel technology. The discovery was a massive blow to Volkswagen's reputation and highlighted significant ethical and compliance failures. The rigid corporate culture was a contributing factor to this, which included the following points:

1. Pressure to perform: Volkswagen's corporate culture was characterised by a strong drive to meet ambitious sales goals and to lead the market in clean diesel technology. This pressure often led to a culture where results were prioritised over ethical considerations. The intense pressure to conform to aggressive corporate targets may have fostered an environment where unethical behaviour could occur without sufficient scrutiny.
2. Centralised decision-making: The decision-making process within Volkswagen was highly centralised. The rigid hierarchy inhibited open communication and feedback channels, discouraging employees from

speaking up about potential ethical or compliance issues. This structure effectively stifled dissent and enabled the continuation of the emissions cheating unchecked.

3. Fear of reprisal: Employees who were aware of or suspected unethical practices were often reluctant to report these for fear of reprisal. The corporate environment did not support whistleblowing, or the questioning of decisions made at higher levels. This fear of retaliation further entrenched the unethical practices, delaying their discovery and resolution.
4. Compliance and oversight failures: Volkswagen's internal compliance mechanisms and oversight were insufficient to catch the deceitful practices before they reached a global scale. The lack of effective oversight and the manipulation of emissions data represent a profound failure in corporate governance within the company.

The Volkswagen emissions scandal led to billions of dollars in fines, recalls, and settlements, as well as significant damage to the brand's reputation globally. The aftermath forced Volkswagen to undertake major reforms in corporate governance and compliance structures to rebuild trust and ensure compliance with environmental standards.

In response to the scandal, Volkswagen has made efforts to overhaul its corporate culture to prevent future ethical breaches. These efforts include enhancing transparency, improving compliance systems, and promoting a more open and inclusive environment where employees feel safe to report irregularities.

The Volkswagen emissions scandal is a stark reminder of how a rigid and unyielding corporate culture can contribute to widespread unethical practices and significant compliance failures. It underscores the importance of fostering an ethical corporate culture that prioritises transparency, encourages accountability, and supports whistleblowing without fear of reprisal. For corporations operating on a global scale, Volkswagen's experience is a cautionary tale of the potential costs of neglecting ethical culture in pursuit of business objectives.

2.8.3 Siemens' bribery scandal

The bribery scandal that hit Siemens AG was one of the largest in corporate history, involving allegations of widespread corruption and bribery in several countries. The scandal exposed significant deficiencies in Siemens' compliance programs and corporate governance, leading to substantial financial penalties and reputational damage. In response, Siemens embarked on a comprehensive transformation of its compliance mechanisms and corporate culture.

The Siemens bribery scandal, uncovered in the mid-2000s, involved accusations that the company had used slush funds to bribe officials for securing contracts in various countries. The revelations led to legal actions in multiple jurisdictions and highlighted profound failures in oversight and corporate ethics at Siemens. Some of the compliance overhaul changes were the following:

- 1 Strengthening compliance infrastructure: In response to the scandal, Siemens initiated a complete overhaul of its compliance programs. The company instituted a more robust compliance infrastructure, which included the appointment of a chief compliance officer and the creation of a dedicated compliance department. This department was tasked with developing, implementing, and monitoring compliance standards across all operations globally.
- 2 Enhanced training and awareness programs: Siemens significantly expanded its training and awareness initiatives to ensure that all employees understood their ethical obligations and the legal standards applicable to their work. Regular training sessions, workshops, and e-learning modules were introduced to instil a deep understanding of compliance issues across the company.
- 3 Implementing whistleblowing mechanisms: To encourage transparency and facilitate the reporting of unethical behaviour, Siemens established a secure whistleblowing system. This system allowed employees and external stakeholders to report potential compliance issues anonymously, without fear of retaliation.
- 4 Revising corporate governance: Siemens restructured its corporate governance framework to enhance oversight and ensure greater accountability. This restructuring involved clearer lines of responsibility and increased oversight by the board of directors, particularly concerning compliance and ethical matters.

Additionally, Siemens went through a cultural transformation which included promoting an ethical corporate culture. Acknowledging that a change in compliance policies alone was insufficient, Siemens endeavoured to transform its corporate culture. This cultural shift aimed at fostering integrity and transparency throughout the organisation. Siemens leadership emphasised ethical behaviour as a core value, crucial to the company's long-term success.

Another transformation was incentivizing ethical behaviour. Siemens revised its incentive systems to align them more closely with compliance and ethical performance. Performance metrics for executives and employees now included compliance and ethical considerations, ensuring that these factors weighed significantly in performance evaluations and compensation.

As a result of these extensive efforts, Siemens has been recognized globally for its revamped compliance program and its commitment to corporate ethics. These changes have not only mitigated the risks of legal penalties but have also contributed to restoring the company's reputation. Siemens reports noticeable improvements in internal audits and external assessments of its compliance and governance standards.

Strong compliance systems and moral corporate cultures are essential for conducting business globally, as demonstrated by Siemens' metamorphosis following the bribery incident. Siemens has established a standard for corporate governance with its proactive efforts to revamp its compliance programme and establish an ethical culture. These actions highlight how fundamental reforms may result in significant gains in organisational integrity and compliance. This thorough investigation offers a clearer picture of how Siemens not only overcame a serious compliance failure but also utilised the event as a drive to greatly enhance the organisation and establish industry-wide norms for governance and compliance.

3. Method

The following section describes the structure and implementation of the work undertaken to address the report's objectives and research questions.

3.1 Method of Choice

This study dives into how companies navigate compliance challenges within various regulatory environments, particularly under the pressure ESG trends. To achieve a nuanced understanding of these complexities, a qualitative research method was chosen, driven by the objective to gain a comprehensive view of the subject matter. According to Bryman & Bell (2011), a qualitative approach is well-suited when an in-depth analysis of specific situations is required, which aligns with the goals of this study. The open-ended nature of the research questions necessitates an in-depth exploration of the interplay between companies and the evolving regulatory landscape. Therefore, understanding the factors influencing companies, and the extent to which they are affected, justifies the adoption of a qualitative methodology.

Although a quantitative approach could have been considered, given that surveys might provide a more generalized view of compliance practices across industries, it was not selected due to potential limitations in response rates and depth of insight. Quantitative methods, while useful for gathering large datasets, often fall short in capturing the subtleties of corporate compliance strategies. Additionally, responses can be overly generic and may not reflect the intricate realities faced by different organizations. For instance, a uniform rating scale may not adequately capture the varied impacts of upcoming regulations on different companies.

In this dynamic context, where companies continuously adapt to new requirements and regulatory demands, a methodology that allows for flexible exploration of both frameworks and empirical data is essential. Therefore, the thesis employs an abductive reasoning process, blending theoretical and empirical elements to enrich our understanding of compliance strategies within diverse industry sectors (Patel & Davidson, 2011). Refined insights were developed through continuous reflection on how theoretical perspectives align or diverge from the real-world experiences of companies navigating compliance landscapes. This approach enabled the identification of patterns and connections that might have been overlooked if more deductive or inductive approaches were applied. The use of an abductive approach allowed for a holistic understanding of the studied situation, which Patel and Davidson (2011) consider one of the strengths of this method.

Furthermore, an iterative approach was employed, involving active communication with relevant professionals in the Swedish industry working with compliance.

Working iteratively in this case meant that we had constant communication with the companies as the cases were being developed. After the first interview, it was possible to conduct additional interviews or get answers to questions via email. Moreover, the case texts were sent to the companies to ensure the information was accurate and to see if they wanted to add anything. This facilitated a deeper understanding of the insights and responses gathered during the interviews.

3.2 Data collection

Data collection for the thesis was conducted through semi-structured interviews with representatives from the chosen firms. This method was chosen for its flexibility, allowing for follow-up questions while providing a structure to ensure all relevant areas were covered (Bryman & Bell, 2011). A standardized interview guide, shown in appendix A, was developed with small adjustments for each company, tailored to their specific industry and making the interview more customized. This was accomplished by initially conducting research on the interviewing company and obtaining a comprehensive overview of relevant questions. For instance, this approach can be demonstrated in an interview with a company heavily focused on products, where, based on that fact, we could pose a question concerning a new EU machinery regulation. Additionally, we aimed to capture key aspects at the beginning of each interview to decide which questions to ask. The guide was therefore adaptable to better reflect the unique perspectives and backgrounds of each firm.

The goal of this qualitative study was to capture insights and to compare the situations for each industry from the detailed responses provided by the participants. To facilitate this, basic questions regarding their approach to compliance, the structure of their compliance departments, focus areas of compliance, and challenges faced were included in all interviews. The semi-structured nature of the interviews offered a balance, maintaining enough structure to compare responses across companies while allowing for the open expression of individual opinions and perspectives. This approach was deemed appropriate for capturing the diverse views on compliance practices and challenges across various industries. It enabled a flexible interview process that yielded rich, comparative insights without constraining participant responses. This method is further emphasized in the literature, where Bryman and Bell (2011) states that semi-structured interviews are suitable for making comparisons between interviews. The approach allows respondents the freedom to share their comprehensive views, while the interviewer can acknowledge the different contexts in which the interviewees operate.

The interviews adhered to a structure that started with broad questions about the companies' compliance structures and concluded with more detailed inquiries into how they have been influenced and evolved over recent years. This approach aimed to build a foundational understanding of the companies' compliance approaches before going deeper into specific aspects related to the supply chain and regulatory

adaptations. This method allowed for a nuanced exploration of each firm's compliance strategy, capturing both structured and in-depth data from the semi-structured interviews. This is also pointed out by Patel and Davidson (2011), who consider this interview structure capable of obtaining both structured and in-depth data from semi-structured interviews. During the interviews, a comfortable interview environment was also a priority as it encouraged openness and detailed responses.

The interviews were conducted via digital means due to the geographical dispersion of the companies. Although meeting in person could give a more comfortable environment and simplifying the reporting, the data quality is unaffected by the mode of data collection (Shapka et al., 2016). Therefore, there was no push to have in-person meetings, when possible, to create consistency between the interviews. Consistency was also ensured across all interviews by utilizing a standardized guide and having both authors participate in each session – one leading the interview and the other observing. Having both authors present at the interviews allowed for a comprehensive data capture and immediate post-interview analysis.

Data was also collected through public reports published by the companies. These public documents were only used when mentioned during the interviews to clarify points. This approach was employed when company 1 wanted to clarify their compliance program, how company 3 works with compliance in their supply chain, and the impact of new regulations on company 5. Otherwise, all the information in the case chapter comes from the interviews.

3.3 Selection of interviewees

Data collected through interviews with key individuals from six different companies, spanning various industries. These industries include telecommunications, gardening machinery, metal production, medical technology, construction, and the automotive sector. The interviewee selection process began with a widespread outreach to individuals in large Swedish firms through emails and LinkedIn messages. The individuals were however targeted so that they had either compliance or sustainability in their job title. This was due to a belief that individuals working with those aspects could be relevant respondents for the thesis.

Due to initial uncertainty regarding response rates, a broad initial contact strategy was used. This entailed not targeting a specific industry, but instead focusing on a Swedish company operating in the global market. Although there were initial ideas about focusing on a specific industry, such as construction, they were rejected due to the difficulty of getting interviews with several companies in the same industry. Additionally, an approach of focusing on one company instead was brought up, but getting the full commitment from a company to work with this was viewed as too difficult. This process resulted in interviews with companies summarized in table 1.

Company	Industry	Role
Company 1	Telecommunication	Ethics and compliance officer
Company 2	Gardening machinery	Product compliance manager
Company 3	Metal production	Ethics and compliance officer
Company 4	MedTech	Executive VP Sustainability, Legal & Compliance
Company 5	Construction	Head of ethics and compliance
Company 6	Automotive	SVP Purchasing Sustainability and business development

Table 1: Companies interviewed

The resulting companies vary in size, but all of them have a global outreach, representing both Swedish and international markets. The benefit of this approach is that companies in different industries offer a rich diversity of compliance practices to explore. This diversity provided a broad perspective on the integration and implementation of compliance within business processes, as well as the impact of regulatory changes on supply chain management. The intention was to gain a diverse understanding of compliance across different business models, allowing for an analysis of cross-industry challenges and practices.

3.4 Reliability and generalizability

To enhance the reliability of this study on compliance in organizations, multiple measures were implemented. Primarily, semi-structured interviews were employed with well-designed guides. This approach ensured core questions were consistently addressed across interviews, fostering a degree of uniformity in data collection. Each interview was attended by two researchers, reducing the risk of bias and ensuring a range of perspectives was considered (Bryman & Bell, 2011). Additionally, an iterative approach was used, allowing for continuous communication on the collected data and verification of respondents' answers. This method enabled a deeper understanding and ensured the results accurately reflected the experiences and events reported by the respondents.

In this study, the emphasis was on depth and quality of the data obtained from a targeted selection of interviews rather than sheer volume. Despite conducting interviews with only six companies, the selection process was strategic, focusing on significant, globally operating firms that are sometimes considered industry leaders. This approach allows for a diverse yet in-depth exploration within each represented sector.

While Kvale and Brinkmann (2014) indicate that 15 to 30 interviews are typically needed to achieve saturation in qualitative research, the six interviews in this study were deemed sufficient given the expansive reach and influential nature of the participating companies. These organizations, due to their scale and market presence,

can offer insights that can be indicative of broader industry trends and compliance practices. Enhancing the reliability through a larger sample size within each industry would add depth. However, the practicality of securing additional participants within the scope of this study was limited. Therefore, the findings are not universally generalizable. Nonetheless, they provide a valuable portrait of compliance management in large, varied companies facing complex regulatory environments.

3.5 Ethical standpoint

Considering the qualitative nature of this study, where six interviews were conducted, ethical considerations are paramount. To maintain ethical integrity with participants, all personal details such as names have been kept confidential in line with GDPR principles (IMY, 2023). However, the majority's request to anonymize the companies during the interviews makes it acceptable to include the participants' respective roles. Therefore, we included their roles to provide the reader with some background on the respondents. The industries of the companies have also been disclosed, giving the reader insight into which industries are being compared. This disclosure has been approved by the respondents.

Throughout the study, four main ethical principles have been firmly adhered to: informed consent, the right to withdraw, the use of data, and confidentiality. These principles, outlined by Bryman (2008), ensured that participants were fully informed about the study's purpose, methodology, and the significance of their contributions. Participation was voluntary, with individuals informed of their right to opt out at any time. By implementing these ethical guidelines, respectful and responsible management of the collected data was ensured, reinforcing the ethical standing of the study.

4. Cases

In this chapter, the six different case companies will be presented. Each company description follows a similar format, beginning with an overview of their compliance function and concluding with their perspectives on the future. All information is sourced directly from interviews or documents referred to during the interviews, and to enhance readability, no external references are included in the text.

4.1 Company 1

As a world-class leader in the telecommunications sector, company 1 stands as a major contributor to the advancement of mobile networks and communication technologies. The company's workforce is over 100 000 employees and spans over 180 countries, demonstrating its international widespread. Its main business is the production and distribution of networking hardware and software, also providing related products and services to operators in both mobile and fixed networks.

4.1.1 Compliance function

Company 1 has divided its compliance function into multiple departments. For example, the sustainability department has a dedicated unit that works on environmental and human rights compliance issues to tackle all sustainability problems. The relevant department oversees compliance work that falls under its jurisdiction, which may include monitoring and implementing new regulations. This leads to the company wanting to embed integrity and ethical standards at all organizational departments, and not only have it centralized unit controlling it.

In addition to the departments dealing with their area, the company has a compliance department that works on several issues, including their main focus of anti-corruption. Company 1 has been a part of past legal challenges regarding anti-corruption, including significant fines, which has made them heavily invest in compliance work regarding anti-corruption. One signal is their growth from 10 to approximately 150 compliance officers in the compliance department. The officers in the compliance department reports to the chief legal officer (CLO) under the CEO and the Board. The responsibility of these officer's ranges from monitoring and enforcing compliance protocols to providing guidance on a wide array of compliance matters, reflecting an organizational structure that is both responsive and resilient.

To facilitate the compliance work, the company has introduced their compliance program, which is structured around ten core elements. The program is viewed as robust and proactive, aiming to embed ethical conduct into the entire corporate culture and operations. Based on strong leadership, the program focuses on thorough risk assessment, clear policies and procedures, and comprehensive employee training. This is aimed at preventing, detecting, and responding to compliance issues proactively.

Moreover, the program emphasizes transparent communication and continuous improvement in order to overcome the intricate global regulatory environment.

Included in the compliance program are efforts toward the rigorous monitoring and testing of its anti-corruption strategies, improved due diligence operations, and third-party management. Company 1 acknowledges that historical challenges with regulatory compliance have catalysed an effort to prevent a recurrence, which is why there is a large emphasis on a structured compliance program. They are now firmly committed to this new approach, aspiring to be "best in class" in their compliance practices.

Although the company operates internationally in several business areas, they stress a centralized approach in the compliance department. Many decisions are made by a central decision-making unit, which the different teams are then supposed to follow. An ethics and compliance strategy they have implemented, with a time frame of 2024–2027, also mirrors this centralized approach. Their overall goal is to integrate the ten elements of the compliance program and establish standardized processes to enhance compliance work, without providing detailed information about this strategy.

4.1.2 Regulation work

Company 1 sees its operations as a dynamic field characterized by frequent changes in laws and standards around the world. It is therefore for the company to make sure it complies with the multitude of regulatory regimes enforced in several markets. For example, the US Securities and Exchange Commission (SEC) due to its listing on Nasdaq New York, the Swedish Companies Act, and the EU regulations due to its operations in Sweden and Europe.

The company has to deal with the challenge of handling diverse legal and regulatory risks, which is possible by adopting a flexible approach to different national laws and regulations. While no specific methodology for monitoring the regulatory changes is stated, the responsibility is a part of the greater governance function. Various departments have a task to monitor their sector, where the legal department has a broader view. Integrating the legal team helps the company regain alignment with international laws and standards.

The impact of new regulations on company 1's operations is significant. This was, for example, shown when a new whistleblower directive was implemented by the EU and companies needed to comply with it by late 2021. The company adopted a proactive approach by integrating new legal standards into its operational practices. This directive, which emphasizes the protection of individuals who report violations, made the company develop its compliance frameworks and reporting mechanisms. Such measures not only made the company comply with new laws but also strengthened the company's ethical culture and governance.

4.1.3 Supply chain

Company 1's compliance function also plays a vital role of managing the supply chain operations of the firm, ensuring that suppliers follow stringent ethical and compliance standards. When engaging with a new supplier, the company has a due diligence team that monitor them. This due diligence team is mostly responsible for the supplier evaluation process. Additionally, sometimes when engaging with suppliers, a procurement manager can initiate a third-party management process to add a layer of compliance insurance.

The company utilizes a risk-based approach determining the extent of the due diligence process. Suppliers are assigned to risk categories ranging from low to high. The extent for managing suppliers varies by risk category: low-risk suppliers, which are not managed by the compliance team directly, are contrasted to medium/high-risk suppliers that require more attention. In medium/high-risk cases, compliance officers will be engaged and actions like training programs and anti-corruption clauses in the contracts will be included. Decisions about supplier approval are made by management and can result in three outcomes: positive, negative, or conditional with certain reservations. Once the supplier relationship has been approved, it continues for a fixed approval period during which there is frequent monitoring.

Not only is there an extensive process when approving suppliers, especially high-risk suppliers, the company also has a continuous monitoring system to evaluate and manage their suppliers. The company employs a plausibility check as part of its ongoing monitoring. This involves periodic checks, including interviews and other forms of direct engagement, to ensure ongoing compliance and to address any emerging issues. Additionally, the process is supported by modern technologies that facilitate real-time information on the supply activities and the compliance status. This continuous oversight helps maintain integrity and compliance across company 1's extensive supply chain.

4.1.4 Future outlook

Because Company 1 recognizes the growing complexity of its international compliance work, the company understands the need to standardize and make these systems more efficient. In the light of complex regulatory requirements and time-consuming process management, the company has taken a strategic move that entails simplifying and digitalizing its compliance processes. The campaign is part of a wider three-year plan which will be completed in 2027. Digitalization becomes an important tool for the company as it strives to simplify its compliance processes by streamlining its operations. This is particularly important given the overflow of data available in today's world.

In alignment with this forward-looking strategy, Company 1 is also refining its multi-tiered defence model, which is structured around enhancing the efficacy and

robustness of its compliance framework. This model is designed to provide layered oversight and control across different levels of the organization:

- First line of defence: This line involves the line organization itself, where operational management holds primary responsibility for managing risks and maintaining compliance within their daily operations.
- Second line of defence: The compliance and risk management functions form this layer, providing guidance and support to the first line by developing policies, overseeing compliance, and managing risks more systematically.
- Third line of defence: Internal audit functions as the third line, offering an independent review of both the first and second lines to ensure that compliance and risk management practices are effective.

Company 1's strategy of handling new regulations is to customize it according to the regulation. The company, on a case-by-case basis, evaluates each new regulation and chooses its most appropriate way of implementation within its current business. With this agile approach, the firm can respond promptly to the changing regulations in such a way that all departments can perform at the highest possible compliance level.

4.2 Company 2

Company 2 has established itself as a leader in the design and manufacture of equipment in the global outdoor power products market. The organization has a total workforce of above 13 000 employees and is present in more than 100 countries, showcasing global operations. The company is divided into three main divisions, each focusing on specific segments of the market to enhance product specialization and customer service. The brand is well known for having qualitative and long-lasting products which are suitable for companies as well as homeowners.

4.2.1 Compliance function

Company 2 has centralized its compliance function to maintain consistency and control across its global operations. Although Company 2 has the core business divided into three larger divisions, they still have one centralized compliance department. Through this centralized approach, they can maintain a common standard of compliance across all divisions. This is particularly significant in the regulatory framework they need to adhere to, considering their extensive product range, which includes outdoor power products, cutting equipment, and garden watering systems.

Compliance regarding product regulations is the primary focus of the company's compliance strategy. A dedicated team monitors new regulations and ensures that all products meet the necessary standards for safety, environmental compliance, and consumer protection. This team works closely with product development to integrate compliance requirements from the initial design phase to final product delivery. By

embedding compliance into the product lifecycle, company 2 aims to prevent compliance issues and adapt to regulatory changes proactively.

The company employs approximately 20 specialists in its compliance team who focus on various aspects, such as product safety, environmental compliance, and electronic standards. These specialists are crucial in managing the specific compliance needs of different products and components, ensuring that company 2's offerings adhere to international standards and practices. This specialization allows for detailed monitoring and adaptation to the continually evolving compliance landscape, especially in critical areas like material restrictions and electronic product requirements.

4.2.2 Regulation work

The company keeps up with regulatory changes by leveraging resources from across its organization. This is achieved by employing a centralized team that collaborates closely with product development and legal departments. This team is responsible for continuously monitoring legislative changes and ensuring their communication and implementation across the entire company. This setup underscores company 2's strategic commitment to maintaining compliance and adhering to international laws and standards, thus enabling effective business operations without compromising on legal obligations or ethical standards.

The regulation tracking team uses databases and subscribes to industry organizations to stay updated on relevant legislative developments. Participation in industry organizations provides insights and influence over forthcoming legislation, while digital databases offer a structured means of maintaining up-to-date compliance information. When new regulations are authorized, company 2's compliance department works alongside other departments to assess the implications for their products and processes and develop strategies for compliance. This often includes updating internal policies, training staff on new requirements, and revising product designs or materials to meet new standards.

Such measures are not only about adhering to laws but also about reinforcing the company's commitment to safety and corporate responsibility. This approach helps the company embrace compliance work as part of its mission to deliver high-quality, compliant products worldwide. The ongoing challenge, however, lies in the complexity and variability of regulations across different regions, which requires the company to maintain a flexible and informed compliance strategy.

4.2.3 Supply chain

The compliance unit of company 2 is the backbone of its supply chain management, which ensures that all suppliers are working in compliance with the firm's ethical and compliance standards. The responsibility for managing supplier compliance is

assigned to the centralized compliance team, which conducts in-depth due diligence on potential suppliers. All suppliers are evaluated based on their compliance with a restricted material list that describes the chemicals and materials allowed to be in the products that the company produces.

Before deciding on the process used to choose suppliers, it depends on what kind of product or component the supplier provides. If the supplier provides smaller components, such as screws or plastic materials, the due diligence process differs from that for larger components, such as motors. Suppliers of smaller components undergo basic compliance checks and quality assessments to ensure they meet the company's strict standards, though with a streamlined process due to their lower risk profile. Suppliers of larger, critical components are subjected to a more thorough due diligence process involving detailed evaluations of their manufacturing capabilities, quality control, and adherence to environmental and labour laws. This can include site visits and extensive audits. Company 2 employs more stringent controls for higher-risk suppliers while simplifying procedures for lower-risk ones, ensuring all components meet their high standards without compromising the integrity and reputation of their products.

Once a supplier is onboarded, company 2 continues to engage in continuous monitoring and assessment to ensure ongoing compliance. This includes regular audits, both scheduled and unexpected, conducted by internal teams or third-party auditors accredited to ISO 17025 standards. These audits are designed to ensure suppliers consistently meet compliance requirements and address any emerging issues promptly.

The company also focuses on proactive supplier development. The company conducts training sessions and workshops to educate suppliers about its compliance standards, new regulatory requirements, and best practices in sustainable and ethical manufacturing. This not only helps in elevating the suppliers' capabilities but also aligns them more closely with the company's compliance philosophy.

Furthermore, company 2 utilizes advanced digital tools to maintain an updated database of supplier information and compliance statuses. These tools allow for efficient management of data related to the full material declarations required under various international regulations like REACH and RoHS. By having a complete substance list for each part supplied, the company minimizes the need for frequent re-verification, thus streamlining compliance processes and reducing the administrative burden on both the company and its suppliers.

4.2.4 Future outlook

As company 2 moves forward, it is aware of the challenges posed by a rapidly changing regulatory landscape. This is particularly relevant to the sustainability and

circular economy demands that are becoming increasingly significant. Despite not yet having a clear new strategy in place, the company is committed to adapting its compliance strategies to meet these new requirements.

The company anticipates that the future will bring a greater integration of compliance measures into all aspects of business operations, especially as digital transformation continues to influence industry standards and practices. The company plans to leverage technology to streamline compliance processes, enhancing efficiency and accuracy in meeting legal obligations and industry standards. This integration will not only support compliance but also foster innovation within the company's product lines, particularly in adapting to new environmental regulations.

Moreover, Company 2 sees a potential increase in regulatory fragmentation across Europe, a primary market. This could complicate compliance efforts, but the company is prepared to tackle these challenges through active participation in industry organizations and by communicating with policymakers to advocate for more harmonized regulatory approaches across different jurisdictions.

4.3 Company 3

Company 3 is a prominent player in the mining and smelting industry, with a focus on the production of metals, such as copper, zinc, and silver. The company operates mines and smelters in the Nordic region, illustrating its significant presence in Europe, and sells worldwide. Approximately 6 000 people are employed, and the company is organized into two main divisions, each dedicated to optimizing specific aspects of the production chain from ore extraction to metal processing.

4.3.1 Compliance function

Company 3's compliance function is decentralized, a structure that reflects the distinct responsibilities assigned to different departments regarding their compliance efforts. Within this decentralized framework, the compliance department is a compact team consisting of just two individuals who focus significantly on ethical standards. Given their small number, these two staff members must strategically manage their responsibilities without overextending their capacity.

One member of the compliance team primarily engages in reactive, or "firefighting", initiatives that address immediate internal compliance issues as they arise. The other member takes a more systematic approach, focusing on the development and oversight of policies, providing guidelines, and facilitating communication across departments. This dual approach allows the compliance department to balance between addressing urgent compliance needs and maintaining ongoing compliance standards throughout the organization.

The compliance department becomes actively involved when issues arise in other departments, such as procurement and sustainability. Defined criteria establish the trigger for this involvement, guaranteeing the necessary and effective engagement of the compliance team. Additionally, these departments maintain active communication channels to coordinate on ongoing compliance and ethical issues, enhancing their overall responsiveness to potential problems.

4.3.2 New regulations

Their approach to staying informed about new regulations and implementing them involves a blend of informal networks and internal coordination, without relying on a specific system. The compliance team primarily leverages various networks, such as the ENAC human rights network, which provides insights particularly focused on environmental aspects relevant to their operational areas. Additionally, the International Business Council also serves as a source of information on new regulations. The company's sustainability department, responsible for external reporting, also plays a crucial role in collecting and sharing regulatory updates.

It's evident that company 3 has no standardized process for implementing new regulations. Instead, their approach varies depending on the nature and impact of the legislation. For instance, with the CSDDD, the company has already been engaged in similar practices and is therefore relatively well prepared. With time, the company plans to have an internal team responsible for dealing with CSDDD, focusing on further understanding the directive's content and ensuring compliance with its requirements. This involves conducting a gap analysis process to identify and address any discrepancies between current practices and the directive's requirements.

For other regulations, like the CSRD, the company found it necessary to hire consultants and treat the implementation as a significant project. This was a huge change for the company, where the impact of the regulation was considerable and required a comprehensive organizational response. The CSRD directive influenced various departments, including communication, HR, compliance, and procurement. As a part of the implementation process, the company states that it actively promotes regulatory compliance awareness and training among its employees and suppliers. This educational effort ensures that all stakeholders understand their compliance responsibilities and the specifics of new regulations as they apply to their roles.

4.3.3 Supply chain

Company 3 ensures compliance within its supply chain through a series of structured practices and policies, central to which is the enforcement of a Code of Conduct (CoC) that all suppliers are required to agree to and sign. If a supplier is reluctant to agree to its CoC, the company evaluates the supplier's own CoC to determine if

deviations from the company's standards are acceptable based on how they conduct themselves and their risk profile.

Enforcing the CoC is essential for all suppliers. However, the different departments at the company manage their compliance work differently due to the decentralized approach. Each department focuses on its own operations, resulting in variations between the raw materials and procurement departments. Raw materials, which are critical and typically require larger purchases, have approximately 300 suppliers. This allows them to conduct more thorough risk analysis and due diligence processes. In contrast, the procurement department, dealing with 8,000 suppliers, cannot afford such detailed scrutiny across the board and thus adopts a more general risk-based approach. Consequently, the procurement department concentrates its thorough efforts only on high-risk suppliers.

For the more high-risk supplier, the company conducts more intensive due diligence. This process involves assessing the significant risks associated with each supplier. Depending on the findings, they could potentially conduct site visits and develop action plans to mitigate any identified risks. This tiered approach to due diligence ensures that resources are allocated effectively, focusing efforts where they are most needed. This is also a contributing factor to their feeling of preparedness for the CSDDD, as they have implemented a sophisticated due diligence approach.

During the audits and site visits, especially in high-risk sectors like mining, the company occasionally brings in mining experts to conduct these evaluations. This is to ensure an adequate assessment of industry-specific risks. They do not want to solely rely on TPM for these audits, as they can be industry specific and therefore view experts, either their own or outside, as a better option. However, when managing ESG aspects, the company places great emphasis on continuous reporting and meetings to monitor how suppliers implement the required changes. This is due to the acknowledgement that audits and visits are costly and not always directly functional.

In instances where supplier non-compliance occurs, the company assesses the situation but typically does not manage the corrective process directly. Instead, they prefer active communication with suppliers about improvement plans. Additionally, the company explores alternatives, including engaging other suppliers, to mitigate risks. However, the company handles human rights issues delicately. Although the company does not prefer to cut ties abruptly, there are some issues they do not want to get involved with.

4.3.4 Future outlook

The company faces significant challenges in the realm of compliance as it looks towards the future. One of the primary challenges highlighted is maintaining control over the entire supply chain, a responsibility increasingly falling under the scope of

the procurement department. The dynamic nature of sanctions and controls, especially concerning war materials and permissible products in production, presents ongoing complexity. Questions about the extent of their responsibility under these controls remain central to the company's compliance efforts.

In terms of future strategies to meet these challenges, the company acknowledges the considerable risks involved. They recognize the high standards required in choosing business partners and the need to intensify scrutiny and demands in their dealings. There is a push within the function to increasingly ensure that business relationships align with stringent compliance requirements. Looking ahead, the company also wants to compare compliance work with the development of sustainability work.

The current focus in business strategy meetings, especially those involving investors across the Atlantic, has shifted somewhat from sustainability to more immediate financial concerns such as cash flow. This shift could be interpreted in two ways: either sustainability is becoming less of a priority, or it is now considered a fundamental, ingrained element of business operations. This is something they see happening in the future, where directives such as the CSDDD will help actors understand the importance of compliance.

4.4 Company 4

Company 4 is a brand within the medical technology area, specializing on products and solutions which improve efficiency and safety in healthcare. The company started by producing equipment for the healthcare facilities, evolving over time to focus on life science sectors. Now, nearly 10 500 individuals are employed and operates in more than 40 countries, demonstrating global presence and contributions within healthcare.

4.4.1 Compliance function

The compliance function at Company 4 is organized around a central team responsible for both formal and informal elements of compliance. Working with both formal and informal elements is something the company emphasizes. The formal aspects involve understanding laws, rules, policies, and training. However, another aspect involves understanding and changing employee and partner behaviour, which is viewed as the informal view. Friction is created between the formal and informal work, which the compliance function addresses to ensure that the organization and suppliers "act on the words" identified by the formal components.

The compliance function extends beyond the central team, with a regional organization that includes personnel embedded in operations across various locations. These individuals are tasked with the practical implementation of the CoC within

different business units. This helps ensure that compliance principles are integrated into day-to-day activities and that there is a consistent application across all areas of the company. Furthermore, the company dedicates a specialized team to managing whistleblower cases, demonstrating its dedication to transparency and accountability.

One of the major challenges the company faces in compliance is overcoming the internal friction that can arise when trying to change established behaviours and practices. Company 4 works to ensure that employees do not feel uncomfortable about raising concerns, especially when they observe actions that may previously have been considered acceptable. To address this, they emphasize psychological safety, creating an environment where employees feel secure in voicing their doubts or concerns.

Company 4 places a strong emphasis on interactions with healthcare professionals and healthcare organizations, recognizing the potential risks of corruption in these relationships. The involvement of public funding in these sectors further intensifies this. To avoid any influence on medical professionals, for example, when funding research projects and educational events, the company is committed to transparent information sharing and legitimate financial interactions.

The primary focus of the company's compliance efforts is to embed responsible leadership throughout the organization, influencing all 12,000 employees to take personal accountability for their actions. This approach is underpinned by programs that promote responsible leadership, advocating the principle that everyone is a leader and responsible for their daily decisions.

4.4.2 New regulations

The company's approach to staying informed and compliant with new regulations involves close collaboration with its legal department. This department is tasked with monitoring emerging legislation and conducting initial risk assessments to determine the complexity and potential impact of new laws on the company's operations. This preliminary evaluation includes understanding the requirements for implementation and conducting a risk analysis to identify potential challenges.

For example, with the CSDDD, the company already has processes in place that align with these requirements. The company conducts regular risk assessments, including audits, to ensure compliance not only within its own operations but also across its supply chains. They are also proactive in signing up for international frameworks like the EU Global Contact, which further supports their compliance efforts.

Additionally, the company fosters awareness and education on regulatory compliance among its employees and suppliers through continuous dialogue and training. This

helps all parties understand the practical implications of compliance requirements. The company conducts regular audits to keep the teams informed and up to date, particularly focusing on high-risk suppliers. To categorize the suppliers into risk tiers, they use a model based on the type of product or service, geographic location, and other factors. This categorization helps tailor the compliance and audit processes according to the level of risk associated with each supplier, ensuring focused and effective compliance efforts.

4.4.3 Supply chain

To ensure compliance within its supply chain, company 4 primarily uses regular audits and enforces a strict CoC that all suppliers must adhere to. These audits are designed to assess suppliers' adherence to compliance and ethical standards, particularly focusing on aspects like labour practices, environmental impact, and overall business ethics. The CoC serves as a foundational document that outlines the minimum standards expected from every supplier, including compliance with local and international laws.

New regulations often impact the company's supply chain, particularly those related to health, safety, and environmental standards. When new regulations are enacted, they work closely with their suppliers to ensure they understand the changes and how to implement them. This may involve additional training, revisions to procurement policies, and sometimes restructuring of supply chain practices to align with the new legal requirements.

There have been instances where non-compliance by suppliers has affected Company 4. In such cases, they engage in developmental dialogue with the affected suppliers to address and rectify the issues. The primary focus is on strengthening suppliers' capabilities in terms of finance, quality, and working conditions. The company therefore maintains a policy of open dialogue and cooperation to ensure these entities meet stringent compliance and quality standards.

4.4.4 Future outlook

One of the primary challenges company 4 anticipates in the future is the need to fundamentally rethink their business model to integrate compliance more thoroughly. This shift is driven by the recognition that traditional models, where compliance functions are at the top rather than a foundational element, are no longer sufficient. Particularly with practices like outsourcing, the decision can't be made based solely on cost considerations. ESG factors must be weighed more heavily, requiring businesses to be willing to modify their models substantially. The company states that this reflects a broader trend, as illustrated by companies like Telia, which had to reevaluate their growth strategies and business practices in light of compliance failures.

Company 4 is planning to adapt its compliance strategies by incorporating 'compliance by design' into its operations. This approach ensures that compliance factors, such as data privacy and cybersecurity, are integrated at the initial stages of product and process development, rather than being tacked on after the fact. This method not only aligns with the growing regulatory focus on these areas but also ensures that compliance is a core consideration throughout the lifecycle of a product or service. This forward-thinking strategy positions compliance as an integral part of the business model rather than an external requirement to be met. By doing so, company 4 aims to ensure that all new business activities are compliant from the outset, reducing the need for costly adjustments and enabling a smoother implementation of new technologies and processes.

4.5 Company 5

Company 5 is a leading international construction and project development company, with a significant presence in both residential and commercial constructions. The company has grown to become one of the largest construction companies worldwide, devoted to environmentally friendly and innovative construction methods. As a global business with operations in 33 countries around the world, the company employs over 34,000 workers, giving an indication of its export reach.

4.5.1 Compliance function

Company 5 primarily structures its compliance function around the geographical markets in which it operates. For example, there are distinct compliance departments for both the Swedish market and the EU market. While these departments collaborate, they are separate entities. However, each department follows a similar structure, employing a centralized approach. The officers in these departments handle most compliance and ethics queries, with one officer, for instance, focusing more on ethics due diligence and educational efforts. Additionally, there is an ethics council for each geographical market, comprising members from various departments such as purchasing, sales, and compliance. This council, which communicates at least once a week, ensures that there is cross-functional teamwork within the organization.

The compliance function is an integral part of the organization's operational and ethical framework, ensuring adherence to both internal and external regulations and standards. The function is strategically aligned with Company 5's commitment to maintaining a high standard of conduct, which is embedded across all levels of the company through a CoC. These guidelines are supported by regular training programs designed to ensure all employees and suppliers are up to date with the latest compliance practices and ethical standards.

One of the primary areas of focus for the company's compliance function is the robust monitoring of sanctions and the enforcement of sanction procedures. That is,

preventing any transactions with companies listed on sanctions lists, especially from countries like Russia where materials such as steel and wood are heavily scrutinized. The company places significant emphasis on working only with reputable suppliers and partners who meet their strict compliance and environmental standards.

Additionally, Company 5 has established a governance program that outlines clear decision-making processes and control mechanisms at various organizational levels. It includes control functions and employs a systematic approach across different levels of the organization. The system is centralized, with key aspects managed at the top level. Compliance responsibilities are integrated into line management with support from a few designated individuals. These control mechanisms must be seamlessly integrated into the overall operations, specifying the levels at which decisions can be made. This setup ensures compliance by defining who is authorized to perform certain actions, which is a method not only to ensure conformity but also to protect the company.

The biggest challenges for the company regarding compliance include maintaining effective sanction control and oversight. This requires diligent information gathering and management by frontline workers. The complexity of complying with a growing body of regulations on supply chains and addressing emerging labour issues presents additional challenges. The company states that it has faced 14 sanction packages aimed at addressing the Russia-Ukraine war, which are challenging to comply with fully. Additionally, directives such as CSRD and CSDDD, though well-intentioned, are difficult to implement. This is particularly true considering that, in the Swedish market alone, they have 17,000 suppliers.

4.5.2 New regulations

The company maintains vigilance over new regulations through a multi-tiered legal monitoring system that is functionally based. That is, each functional unit monitors the regulatory requirements that are specifically relevant to its area of business. While the function reviews its relevant regulations, the legal department provides overarching supervision. Ethical oversight, particularly for specific directives, does not rely on general monitoring, but rather uses a specialized monitoring service to stay informed.

The process from learning about a new regulation to its implementation begins with the responsible function interpreting the new regulation and developing a suitable approach. For significant regulations like CSRD, a dedicated organization is formed to interpret and understand the regulations. For major changes, greater organizational involvement is required before integrating them into the regular organizational structure. Otherwise, it's common to form working groups for interpreting specific aspects, following a simplified project portfolio management model with various

routines. There is always someone appointed to manage the ongoing administration of these changes.

Recent and upcoming regulations, such as the CSRD and CSDDD, along with changes initiated by occupational safety agencies, are significantly impacting the industry. A period that the company highly values is the interim period between a regulation being approved and companies forced to adhere to it. This interim period is critical because there are no established industry standards or practices to model compliance efforts after, so the company needs to strike a balance between being proactive and reactive. In response to increasing client inquiries about supply chain oversight, a requirement not previously emphasized, the company is currently enhancing its risk mitigation processes and refining its ethical due diligence templates. These adjustments are part of a broader effort to meet the growing demands for transparency and ethical compliance in business practices.

4.5.3 Supply chain

To ensure compliance in the supply chain, the company employs a pre-qualification process. Each supplier must undergo this pre-qualification, which includes contract stipulations coupled with background checks to ensure compliance. However, given the large number of suppliers, they adopt a risk-based approach, depending on the supplier's industry and the results from the pre-qualification process. This allows for the undertaking of more extensive due diligence activities. Additionally, a supplier portal exists, tailored to the specific terms of the agreements, which facilitates the management and oversight of compliance standards.

Company 5 views it as challenging to predict the exact impact of new regulations on the supply chain, as new rules are frequently introduced. However, regulatory authorities should also bear some responsibility for enforcing compliance, especially in markets prone to violations. The company feels that authorities often target larger players. They suggest that regulators should have a broader responsibility to oversee the market more effectively and ensure fair compliance practices across all levels.

The response to non-compliance among suppliers varies depending on the nature of the supplier and the severity of the issue. Actions can range from a simple conversation to rectify minor issues to terminating the relationship in cases of serious breaches. The goal is to ensure that suppliers are carefully selected and examined to minimize compliance risks. This selection process is designed to ensure that only suppliers who meet the company's stringent standards and share its commitment to compliance and ethical practices are chosen.

4.5.4 Future outlook

Company 5 expects that compliance will foster a healthy competitive environment, encouraging a marketplace where all participants adhere to necessary regulations. They believe that this approach will naturally disadvantage those who do not engage in the necessary compliance work. However, the company also recognizes that regulatory frameworks can sometimes introduce more costs than benefits, complicating operations. The focus for the future is primarily on understanding upcoming regulations and assessing their impact on our organization. This strategic understanding is crucial as they plan their next steps. It is also noted that customer requirements often drive compliance adjustments, which is another aspect to consider in the compliance work.

Currently, there are no specific discussions about adjusting compliance strategies to meet future challenges. The company is operating in a low economic cycle, with occasional cutbacks to reduce expenditures, which precludes investing additional resources in compliance efforts. Typically, they aim to manage compliance through their existing compliance structures rather than specialists, striving to maintain efficiency and adaptability within their operational limits. This approach highlights a pragmatic stance towards compliance, balancing the need to meet regulatory demands with the realities of business cycles and resource availability.

4.6 Company 6

Company 6 is a subsidiary of a larger group, manufacturing larger vehicles in the automotive industry. The company has been pushing for sustainable and quality public transport solutions that incorporate safety as well as care for the environment. There are approximately 7,500 employees across the globe, and it is present in Europe, North America, Latin America, and Asia, indicating a wide range of its international presence. The company is committed to improving urban transport through creative and effective conveyance options, including electric and hybrid vehicles.

4.6.1 Compliance function

At Company 6, they have a compliance and regulatory manager who supports all global purchasing. This person is also responsible for connecting with the larger group, where the different organizations in the group exchange relevant information. Additionally, the manager also connects with different sites to make sure they follow global and local requirements. This manager therefore has global representation, but when it comes down to local needs, they do connect with the local purchasing team. Therefore, the manager is in close collaboration with local procurement teams to get a full global perspective.

The company puts a lot of emphasis on standardization across its global operations, which is in line with the group's way of working. Therefore, the compliance processes are largely standardized, and one buyer based in Canada may also be responsible for sourcing activities in Mexico. This illustrates the global scope some of their roles have, in which the compliance and regulatory manager will work cross-functionally with these procurement officers.

Company 6 prioritizes several key areas within its compliance framework, particularly sustainable regulations focusing on human rights, environmental standards, and economic practices. Human rights are a significant area of concern, alongside broader global issues like taxes and duties. The company also places a strong emphasis on due diligence and sustainability, driven by requirements such as the CSDDD. The CSDDD will demand comprehensive reporting on aspects like decarbonization and circularity, both locally and globally, which they need to prioritize. Additionally, they sell many of their vehicles through public tenders. This process often leads to numerous inquiries from potential buyers in the buyers in the public sector who require detailed information about the products, particularly concerning local legislation and other regulatory requirements.

One of the primary challenges the company faces is transparency in the supply chain, particularly in identifying and monitoring suppliers up to the n-th tier. This is critical when components like cooling systems involve materials such as electronics, metals, and plastics, potentially sourced from up to 200 suppliers. The company strives for full visibility and accurate information regarding these suppliers, which is essential for maintaining compliance across all levels of the supply chain.

To tackle these challenges, Company 6 employs various innovative tools and strategies. They conduct detailed mappings for specific commodities, such as semiconductors, and hold annual meetings with at-risk suppliers to ensure transparency. They also utilize CatenaX, a cloud-based tool that allows global partners to input data on components, helping to track their composition. Additionally, AI tools are used for calculating CO2 emissions, aiding buyers in making decisions that align with the company's emission reduction goals. These measures are part of a broader effort to enhance compliance and sustainability throughout their operations.

With these projects in place, the company adopts a proactive approach to compliance, continuously updating and improving their processes to meet increasing regulatory demands. They also use a comprehensive, four-step compliance strategy to navigate their complex regulatory environment. This includes establishing a structured compliance framework that coordinates efforts across global operations, implementing rigorous processes such as due diligence and audits, actively engaging with suppliers to ensure they meet stringent standards, and adopting a proactive approach to anticipate and influence future regulations. This strategic blend of

structure, process, and engagement enables the company to maintain high compliance standards and adapt to the evolving legal landscape effectively.

4.6.2 New regulations

Company 6 has refined its approach to staying updated with new regulations, transitioning from an informal way to a structured system that draws information from legal teams and local organizations. The company actively participates in webinars and conferences to stay current, while its governance and legal teams, connected both locally and through platforms like Maplecraft, conduct thorough research. They also regularly review their processes to ensure they stay well-informed across various categories. Specifically, the tender manager maintains a close connection with the sales organization, enabling the gathering of early feedback on developments that facilitate proactive operations.

The company develops comprehensive maps of directives to assess their impact. The cross-functional team categorizes all relevant regulations to determine the appropriate timing for action, ensuring there are no delays. The team creates a concise one-pager for each directive, summarizing the key points and action steps to facilitate efficient communication and help see what to prioritize in the compliance work across the organization.

When a new regulation is introduced, it is typically brought up from a corporate level, followed by detailed presentations about its implications. The company has established governance systems that promptly review new regulations, and each relevant governance body responds accordingly. For instance, when a new human rights regulation was introduced in Canada, a sustainability officer was promptly informed, which triggered immediate strategy meetings with stakeholders to begin the implementation process.

4.6.3 Supply chain

The process of ensuring compliance in the supply chain begins with a detailed supplier evaluation, typically involving a two-day audit followed by a review from a sourcing committee. This committee then decides on approval or rejection. Suppliers must also complete a self-assessment, where falling below a certain threshold acts as an automatic disqualification. This initial selection is just the beginning, and maintaining relationships with current suppliers also involves a risk-based approach and continuous monitoring of compliance.

While the existing compliance frameworks are robust, new regulations, particularly around cybersecurity, require updates and adaptations. Despite these changes, the company typically meets local and international regulations without significant disruptions. The strong processes in place allow for regular reviews and adjustments, minimizing the need for urgent overhauls. Additionally, the company works a lot with

standardization, where they can learn from the group but also follow it during the implementation of new regulations. This was exemplified when the company implemented a whistleblowing system as part of its compliance structure. If an issue is spotted, employees can anonymously report potential risks.

In response to growing environmental concerns, Company 6 has begun to scrutinize how suppliers manage resources like water and carbon emissions. This initiative is relatively new and will continue to evolve as AI and visualization technologies improve to better monitor and manage these aspects. The effectiveness of these measures is still under assessment, but the goal is to integrate these environmental considerations seamlessly into the existing compliance framework, enhancing the overall sustainability of the supply chain.

4.6.4 Future outlook

Company 6 identifies sustainability and geopolitical factors as the two major challenges to compliance in the future. The company acknowledges the dynamic nature of the regulatory landscape, with a continuous influx of new regulations to track and adapt to. Recognizing that about 20% of potential issues are unforeseeable, they focus on enhancing their predictive capabilities to better manage uncertainties such as sanctions and taxes, which have grown significantly in recent years due to increasing geopolitical tensions.

To navigate these complexities, the company is intensifying its efforts to map out regulations and sustainability criterias. They are implementing strategic workshops aimed at future-proofing their operations, focusing on understanding where future supply chains might be located and preparing for potential challenges. The company maintains a balance between global and local compliance strategies, leveraging a global team that is encouraged to adopt a customer-centric approach. This involves categorizing risks and planning accordingly, ensuring that while the focus may be on the 80% of known factors, the unpredictable 20% is not ignored.

5. Analysis

This chapter analyses how different companies structure their compliance functions and the impact of these structures on managing new regulations and supply chain compliance. It discusses the adaptation to regulatory changes, detailing strategies companies employ to monitor and integrate these changes effectively. The section also explores how compliance efforts influence supply chain management, highlighting ongoing and future strategies to maintain compliance among evolving regulatory landscapes.

5.1 Organizational structure of compliance functions

This section explains how different companies structure their compliance functions, highlighting the diversity in approaches from centralized to decentralized models. These differences are influenced by industry requirements and organizational strategies. The section also discusses the roles within compliance departments, their size variations, and their strategic importance in maintaining regulatory compliance.

5.1.1 Comparison of compliance structures across different companies

Beginning the analysis with looking at different roles within the compliance functions, it becomes evident that several companies, such as company 1, company 5, and company 6, employ a hierarchical structure that aligns with the governance model advocated by Snell et al. (2016). In these firms, compliance roles are well-defined, often reporting up to a CLO. However, the titles these managers can have might be different, where company 1 reports to the CLO, company 5 have both a head of compliance and ethics and a CLO, and company 6 have a compliance and regulatory manager. This arrangement of hierarchical structure highlights the importance of having a clear command chain within compliance operations, which helps in ensuring accountability and streamlined communication across the organization.

Not all companies have this clear division in roles in the compliance department. Company 3 have a compliance department with 2 officers dividing the compliance work between them. However, instead of reporting to a chief officer they report directly to an executive team. Instead, one of the people in the team has more of a manager role but there is no title dedicated to it. One can though observe that all compliance departments report to the executive team in some way, following a similar process that Snell et al. (2016) highlights.

Further comparing the sizes of the compliance departments reveals substantial differences that can be attributed to various factors. For instance, company 1 has a significantly larger compliance department with up to 150 officers, which may reflect its historical challenges with compliance issues. The substantial size of company 1's compliance department can be linked directly to the principles of deterrence theory as

outlined by Becker (1968). Following significant legal challenges, company 1 expanded its compliance function, a strategic move aimed at bolstering its capacity to detect and address compliance issues more effectively. This proactive expansion serves as a clear deterrent against potential violations within the company. The presence of an extensive and capable compliance department increases both the perceived and actual likelihood of detecting non-compliant behaviours, which is what the deterrence theory suggests.

By enhancing the visibility and responsiveness of their compliance mechanisms, company 1 not only mitigates the risk of future legal repercussions but also communicates a strong internal and external message about their commitment to compliance. This approach effectively utilizes the foundational premise of deterrence theory, rational calculation of costs versus benefits from a compliance perspective. The increased risk of detection and the consequences of non-compliance outweigh the potential gains from overlooking regulatory requirements.

In contrast, smaller compliance teams, as seen in company 3, might be indicative of either fewer historical compliance issues or a strategic decision to integrate compliance responsibilities in other departments. The decision to operate with a smaller compliance team could also stem from an organizational strategy that favours a less centralized approach to compliance management.

This variance in department size not only reflects past compliance challenges but also illustrates differing strategies for control and oversight across companies. The nature of compliance conditions, which varies significantly across different industries, plays a role in shaping how companies organize their compliance functions. While some companies might integrate compliance more broadly across various operational areas to promote a culture of compliance at every level of the organization, others may focus on centralized oversight to ensure uniform standards are met throughout the company.

Company 2 has a centralized compliance function, which means that a single compliance department centrally manages various issues, with a particular focus on product compliance in this case. This centralized approach aligns with Paine's (1994) theory, which suggests that centralization enhances uniformity and authority over compliance practices across the entire organization. Notably, company 2 centrally coordinates efforts to comply with the new machinery directive, illustrating how a centralized approach work with new directives. In contrast, company 4 adopts a more decentralized approach, where compliance responsibilities are distributed across various departments. This structure allows for their compliance department to focus on more general formal and informal tasks, while giving the other departments more responsibility on also finding solutions for new regulations.

Decentralization can be implemented in various ways, such as by assigning responsibilities to different departments like purchasing, sustainability, etc. Company 3 is one of the companies that has chosen this approach, while for example, Company 2 has a fully centralized compliance department that works with all questions. However, in practice, the differences are not that large. All companies emphasize that they do have cross-functional teams where they communicate upcoming regulations and try to be on the same page. The differences then become where the teams are located to work with the new regulations. This approach then gives the compliance department different focuses, where in a decentralized or hybrid structure, they have a more specialized focus. In Company 3, they have a small compliance team focusing on ethics and corporate governance, while Company 2's compliance department works with several issues. How the companies have organised their compliance functions is summarised in Table 2.

Company	Compliance Structure
Company 1	Hybrid
Company 2	Centralized
Company 3	Decentralized
Company 4	Hybrid
Company 5	Centralized
Company 6	Centralized

Table 2: Compliance structure by departments

However, another way companies can decentralize their work is into different geographical areas. For example, Company 5 has decentralized its work into various geographical areas, while Company 1 has a more centralized approach in this regard. This is an interesting aspect since all companies operate in global markets, yet they do not unanimously feel the need to decentralize operations. How the companies have decided to structure their compliance work in relation to geographical areas can be shown in Table 3.

Company	Compliance Structure
Company 1	Centralized
Company 2	Centralized
Company 3	Centralized
Company 4	Centralized
Company 5	Decentralized
Company 6	Hybrid

Table 3: Compliance structure by geographical divisions

The compliance organisations of the companies are influenced by the industries in which they operate. Company 5, a construction firm, is significantly affected by local requirements and needs, which have led them to adopt a more decentralized approach

compared to companies in the MedTech industry. Although there are varying regulations across different regions, a MedTech company adhering to the high standards of the Swedish and EU markets might automatically comply with regulations in other markets. Nevertheless, such a company still needs to be aware of regulations in other markets, but an overall approach might suffice instead of a fully decentralized one. This aligns with Dalton & Dittman's (2012) assertion that decentralized systems are more effective in addressing local requirements.

There are also other reasons a company might choose a more centralized approach, as demonstrated by company 1. Company 1, which has faced compliance challenges in the past, may benefit from a more centralized approach to ensure control and compliance in all areas. This centralized department then focuses entirely on ensuring compliance with major issues worldwide. Even though there may be many local requirements, historical issues can drive the company to make significant investments in a centralized department that ensures global compliance. This is in accordance with Paine's (1994) view, which states that a centralized approach allows the company to maintain a higher level of control over operations.

Then there is also a hybrid approach, which company 6 uses. Company 6 operates in several global markets and has numerous local requirements to manage. To handle this, they have a manager who coordinates the work at global level as well as employees who can work across several regions simultaneously. Additionally, being part of a larger group, the operations are heavily standardized, seeking to also coordinate some requirements within the group. Thus, the company does have personnel working on their respective local requirements, but they also have upper management that supports the work and maintains an overview, showcasing a hybrid approach. Dalton & Dittman (2012) advocated that the hybrid approach provides tailored compliance management that can adapt to local regulatory landscapes while maintaining a unified strategy at the corporate level, as demonstrated by company 6.

5.1.2 Impact of compliance structure on compliance work

In companies with centralized compliance structures, such as Company 2 and company 5, the CMS is managed uniformly across all branches and divisions. This centralization, as Paine (1994) suggests, makes compliance practices standardised and reliable, thus reducing the risk of the occurrence of compliance disparities between different departments or geographical locations. The centralized model is advantageous in achieving a unified approach to risk assessment by ensuring that compliance risks are managed consistently and in accordance with the highest standards set by corporate governance.

In addition, company 2's centralized approach allows it to effectively manage the compliance issues related to new product regulations, such as the machinery directive. Maintaining a uniform standard of compliance across all operations simplifies training

and communication processes. It also ensures that every part of the organization receives the same level of information and training on compliance practices. This uniformity is critical in reducing the risk and sustaining a high compliance posture.

On the other hand, company 3 which is using a decentralized structure can offer a more customized approach to compliance. The decentralized systems are well equipped to handle the complexities of the local and specific compliance needs that differ from region to region or division to division. This structure in particular allows local managers to apply and adjust compliance procedures that are most appropriate to their operational environments, thus improving the responsiveness and relevance of the CMS.

The decentralized nature of Company 3 allows it to respond faster to the local regulatory changes and to introduce compliance into the everyday operations with higher flexibility. However, this can occasionally result in inconsistencies in compliance practices across different parts of the organization. To meet overall corporate compliance standards, additional coordination and oversight may be required.

Companies like company 6 illustrate the benefits of hybrid structures, which combine elements of both centralized and decentralized models. This approach allows for standardized compliance procedures that are crucial for maintaining a uniform compliance strategy across the company, while also providing the flexibility to adapt to local conditions and requirements.

The hybrid structure supports effective risk assessment by allowing local adaptations of centralized policies and procedures, which Krawiec (2003) emphasizes as crucial for the integration of compliance into diverse business operations. Company 6's model, where strategic compliance functions are managed centrally, but operational compliance tasks are adapted locally, facilitates a balance between global oversight and local flexibility. This is particularly effective in managing the diverse regulatory environments the company operates in, ensuring that compliance efforts are both comprehensive and specific to local needs.

The choice of compliance structure significantly impacts the strategic operations of a company. Centralized systems may provide better control and uniformity across global operations, critical for companies operating in highly regulated industries like telecommunication or healthcare services. Decentralized systems, meanwhile, may offer advantages in industries where local regulations and cultural differences necessitate a more nuanced approach, such as retail or services.

The structure of the compliance function within a company not only affects how compliance is managed daily but also shapes the strategic alignment of compliance with broader business goals. It impacts the agility of the CMS to respond to regulatory

changes, the effectiveness of training and communication programs, and the overall culture of compliance within the organization.

5.2 Impact of new regulations

This section explores the various strategies that companies employ to track and manage new regulations impacting their operations. It examines the contrast between centralized monitoring systems and the use of informal networks. Furthermore, it shows the necessity for organizations to tailor their compliance frameworks to both their operational needs and the regulatory environments in which they operate.

5.2.1 Tracking new regulations

When analysing the impact of new regulations on these companies, there are differences in how the companies keep track of new regulations. Two methods that emerged are having a centralized monitoring system and using networks. For example, company 2 relies on a centralized team to monitor regulatory changes by leveraging databases and industry organizations. This strategy ensures a unified approach to tracking and implementing new rules. In contrast, Company 3 uses informal networks and internal coordination to monitor relevant regulatory changes. They leverage their participation in networks like ENAC and the International business council to stay informed but lack a standardized system.

Another way companies use to be updated on new regulations is using their legal departments. Companies 1, 4, and 6 all have their legal departments as essential components of their compliance governance. Company 1 ensures alignment with international standards by having the legal department oversee compliance across various departments. Similarly, company 4 assigns its legal department the responsibility of identifying emerging regulations and conducting risk assessments. Meanwhile, company 6 integrates both its legal and governance teams, leveraging tools such as Maplecroft to continuously research and analyse regulatory changes. Together, these approaches highlight the strategic importance of the legal departments in managing compliance across all three companies.

The use of legal departments also showcases the utilization of cross-functional teams. Companies 5 and 6 emphasize the importance of cross-functional collaboration to effectively manage new regulations. For instance, company 5 employs a multi-tiered legal monitoring system, with each function responsible for interpreting regulations relevant to its specific domain. Likewise, company 6 develops comprehensive directive maps by involving cross-functional teams to prioritize compliance actions. Together, these strategies demonstrate how both companies recognize the role of cross-functional teams in navigating the complexities of regulatory compliance.

This differentiation in regulatory monitoring methods reflects the varied regulatory environments that companies operate within and the necessity for adaptable compliance strategies. Companies like company 2, which rely on centralized monitoring systems, exhibit an internalized approach to compliance that aligns with Krawiec's (2003) concept of continuous monitoring and reporting within CMS. Their structured databases and memberships in industry organizations facilitate a comprehensive approach to compliance that integrates monitoring across the entire company. This centralized framework ensures a unified response to new regulations, enabling them to identify trends and align product development proactively.

In contrast company 3's reliance on informal networks and internal coordination aligns more closely with Tyler's (2006) normative compliance theory, where intrinsic motivations and moral obligation drive compliance efforts. Their engagement with organizations like ENAC and the International Business Council suggests an emphasis on building strong ethical networks to conform to regulatory changes. Here, cross-departmental collaboration becomes vital, with each team ensuring compliance with legal and ethical standards to uphold the company's commitment to social responsibility. Although this approach lacks the structural organization of a CMS, it promotes ethical standards across the organization, relying on moral and social responsibility as key motivators.

5.2.2 Managing regulatory changes

Managing new regulations affects each company differently due to their industry, structure, and historical context. Company 1's governance function oversees a multitude of regulatory regimes, ensuring consistency across markets while the legal department aligns the company with international standards. Company 1's overhaul of its compliance frameworks and reporting mechanisms, following the EU whistleblower directive, demonstrates how regulatory changes can prompt significant alterations to internal structures. As mentioned by Porter et al. (1995), adapting to stringent regulations may require companies to re-align their strategies and make investments to comply with new standards. In this case, company 1 had to integrate proactive compliance practices to ensure adherence, thereby reinforcing its ethical culture and governance.

Additionally, company 2's centralized team coordinates closely with product development and legal departments, utilizing databases and industry organizations to stay ahead of upcoming legislation. Company 2's reliance on databases and cross-departmental collaboration ensures a comprehensive and unified response to regulatory changes. This aligns with Weaver et al. (1999), who highlighted the need for manufacturers to modify internal processes and sourcing practices to align with evolving environmental and safety standards. By updating internal policies, revising

product designs, and training staff, company 2 maintains a proactive compliance strategy to mitigate the operational and reputational risks posed by regulatory non-compliance.

Meanwhile, company 3 and 5 adopt more functionally based monitoring systems. When not having a standardized system, company 3 adapted to new regulations like the CSRD by hiring consultants and managing implementation as a project, emphasizing the cross-departmental impact of the regulation. In company 5's approach, each department is responsible for monitoring regulations specific to its area of business while the legal department provides overarching supervision. Major regulations like CSRD are handled by specialized teams that interpret and integrate new requirements into existing structures.

However, all companies emphasize that the impact of a new regulation heavily depends on the specific regulation and its scope as well as on how the company has handled similar matters in the past. For instance, company 5 needed a consultancy firm to comply with the CSRD, but they don't believe that will be necessary for the CSDDD because they already have good control over their supply chain and feel confident in those aspects.

Different approaches that companies can adopt include being proactive or reactive. Company 6 strives to be proactive, inheriting this approach from the parent group, and seeks to implement practices for directives as soon as they are finalized. This was evident when the new whistleblower directive was introduced, and they quickly implemented a whistleblowing system. Companies can also take a more reactive approach. Company 5 believes that sometimes one needs to observe how the industry responds to new directives and adapt those strategies, which is how they plan for the CSDDD. Due to company 5 being in the construction industry, which is characterized by many suppliers and subcontractors, it can be more challenging for them to follow the directive with a proactive approach. Ultimately, this brings us back to the main point that the impact of each directive is very specific, influenced by the industry in which a company operates and how it has handled such matters in the past.

5.3 Compliance in the supply chain

This section explores how compliance functions impact supply chain operations across various companies, highlighting the critical role of supplier evaluation and due diligence. Companies implement diverse strategies to ensure suppliers meet regulatory standards, utilizing both risk-based approaches aligned with ISO 31000 principles and continuous monitoring systems enhanced by digital technologies.

5.3.1 Ensuring compliance in the supply chain

To ensure compliance across their supply chains, the companies have developed their supplier evaluation methods. The purpose of these comprehensive evaluation processes is to ensure that suppliers meet the required standards. Due diligence plays a vital role in this evaluation, serving as a tool to assess suppliers and confirm that they meet the companies' requirements before entering business with them. Although the current due diligence processes do not fully meet the requirements of the CSDDD, having such processes remains essential for these companies. Companies 1 and 2 emphasize this by maintaining dedicated teams that evaluate new suppliers before onboarding. Company 1 assigns suppliers to various risk categories, subjecting high-risk suppliers to thorough checks, training, and anti-corruption clauses. Similarly, Company 2 implements an in-depth due diligence process for potential suppliers, tailoring the evaluation based on the size and criticality of the components provided.

There are noticeable differences in the due diligence processes across the companies. While Company 6 typically employs a two-day audit process, Company 2 may be satisfied with simple compliance and quality checks. Thus, the scope of due diligence varies between companies. However, a commonality is that all companies use a risk-based approach. Due to the large number of suppliers, they categorize them into low-to-high-risk groups. The criteria for this categorization differ between companies, but common factors include the importance of the purchased material/component and the overall industry risk in which the supplier operates.

The risk-based approach of the companies is in line with the ISO 31000 framework principles. Each company puts its suppliers into different risk levels depending on whether the material or component is provided and the overall industry risk of the supplier's operations. Such an approach is an example of the ISO 31000 principle of structured risk assessment which aims to identify and prioritize threats while complying with the requirements of the law and international standards. Through customizing their due diligence processes to specific risk categories, companies enhance the chances of achieving their compliance objectives and proactively manage risks across the whole supply chain, which is highlighted by Purdy (2010).

Not only have the supplier evaluation methods improved across the case companies, but their continuous monitoring systems have also followed suit. As part of company 1's compliance program, they use a TPM system to track suppliers. Moreover, as part of their risk-based approach, the companies prioritize high-risk suppliers for continuous monitoring and audits. While Company 1 conducts periodic plausibility checks, company 2 employs both scheduled and unexpected audits to enforce compliance.

In line with this trend, companies 5 and 6 have also embraced digitalization to enhance their continuous monitoring systems. Company 6 has started using AI and

visualization technologies to monitor suppliers more effectively. This will help them track data parameters, such as emissions, to ensure suppliers are meeting requirements. Additionally, they have begun using CatenaX, a cloud-based tool that allows global partners to input operational data. Company 5 has also adopted a similar cloud-based tool, a supplier portal, to streamline processes and aid in the continuous monitoring of suppliers.

The companies that do not specify technological advancements in their monitoring systems typically use a CoC to ensure compliance. Companies 3 and 4 both emphasize having a strict CoC that all suppliers must adhere to. However, ensuring supplier compliance requires significant effort. As a result, these companies aim to streamline their compliance work through simplification and standardization. Although no information was provided regarding specific technological developments for this purpose, it can be assumed that digital portals could aid them in this effort.

Non-compliance management strategies vary across the companies. For instance, company 3 relies primarily on communication with suppliers to develop improvement plans while avoiding direct management. In contrast, company 1 and company 5 employ more stringent measures, ranging from dialogue to termination, depending on the severity of the breach. Additionally, company 4 emphasizes development dialogue with affected suppliers and aims to strengthen their financial, quality, and working conditions through cooperation.

Proactive compliance practices also significantly shape supply chain strategies. For example, company 2 prioritizes supplier development through training sessions and workshops, thereby educating them on compliance standards and best practices. This proactive approach aligns suppliers with the company's compliance philosophy, fostering sustainable partnerships. Similarly, company 6 integrates AI and visualization technologies into its compliance frameworks, consequently enhancing resource management.

5.3.2 Future compliance work

Companies are showcasing diverse anticipations and strategic adaptations in response to evolving regulatory challenges. One challenge that both Company 1 and Company 2 face is simplifying and streamlining their compliance work. To address this, they are optimistic about using digital transformation as a tool to obtain more information in a simpler way. However, these companies lack a clear strategy for implementing digital transformations to integrate their compliance measures effectively. Company 1 has a strategy in place to improve its overall compliance work with a three-tiered defence system, but this doesn't directly address the simplification challenges they face.

In contrast, Company 6 has already implemented some digital measures into its operations and has a strategy for further development. They use monitoring tools like CatenaX to facilitate data sharing on supply chain components and AI tools for emissions calculations. This helps them track and maintain compliance with global emission goals and achieve transparency in their extensive supply chain. Therefore, Company 6 serves as an example of how other companies can improve their compliance work by utilizing emerging technologies.

Although these companies are in different industries, where AI and visualization technologies for assessing suppliers' water and carbon resource management might be more relevant for some, cloud-based platforms are tools that all companies should be able to use. Company 5 is another company that utilizes digital platforms, but more should be able to do so. It is surprising that not more companies are leveraging AI and IoT technologies, given their potential to significantly enhance compliance monitoring and risk management. Looking into the future, more companies should embrace these advanced technologies. The companies would be able to obtain real-time data insights and predictive analytics, which are crucial for staying ahead of regulatory changes and ensuring comprehensive compliance across their supply chains.

Another future shift that companies, particularly product-focused ones like company 2 and 4, are considering is embedding compliance by design into product development. This approach means that companies aim to address compliance issues at the beginning of product development rather than reacting to them afterward. Company 4 describes this as rethinking their business model, where the compliance function becomes an integral element of product development. To achieve this, companies need to be more proactive, for instance, by including a compliance officer on the product development team. This increases cross-functionality, ensuring that new compliance issues are always considered.

With a changing regulatory landscape, including new large directives like the CSDDD, companies face challenges in maintaining control over their entire supply chain. Company 3, which has several suppliers across different departments, is one of the companies encountering these issues. Although they have an approach to map out their supplier base, this becomes increasingly difficult as more requirements are imposed. A problem arises when the company's current risk-based approaches are not sufficient. These risk-based approaches are used as screening tools to help companies allocate resources efficiently, but when they fall short, a significant burden is placed on the organization.

Company 5 has become a company that questions the extent of its responsibility. Its large supplier base makes it challenging to maintain full control over the supply chain. As a result, they believe authorities should take more responsibility for monitoring

market participants. For example, they don't think they should have to track all the subcontractors operating in the Swedish market, which they view as stable. Therefore, they want to collaborate more with authorities so that not all the responsibility is placed on the major players.

Company 2 is another company that seeks to work with and communicate with policymakers, but for a different reason. They see the European markets as becoming increasingly fragmented due to varying regulations, making compliance difficult. They therefore also want to collaborate with policymakers to make the European market more unified. This demonstrates that companies are not only working on their internal operations but are also considering other stakeholders. It is clear that policymakers are crucial stakeholders for companies, so they aim to work with them to streamline their compliance work in the future.

Another category the companies are observing is the customers. Company 5 highlights an interesting dynamic where customer requirements are increasingly influencing compliance strategies. This perspective shows the importance of aligning compliance efforts not only with regulatory demands but also with customer expectations, which can sometimes be a driving force behind compliance upgrades. This customer-centric approach may compel companies to adapt more swiftly to changes in compliance standards, especially in consumer-facing industries where brand reputation and customer trust are paramount.

This is also evident in Company 6, which views most of its customers as being in the public sector. The public sector is characterized by placing more requirements on companies and demanding full transparency. Company 6 has noted this and adopted a highly proactive approach in its regulatory work. However, if a company operates more in the private sector, where customers are generally less specific in their demands, a more reactive approach might suffice. Although all the case companies operate in both the private and public sectors to some extent, they are customer centric. Therefore, the future work will also depend on the requirements customers put on the companies.

Companies are also gearing up to tackle challenges arising from geopolitical tensions. Sanctions are increasingly prevalent in the market, making it difficult for companies to track them all, especially Company 3 and Company 6. Company 6 elaborates further, describing an 80/20 situation where 20% of potential issues are unforeseeable. These issues have become more prominent due to geopolitical tensions, including sanctions and conflicts worldwide. Therefore, Company 6 aims to navigate this by improving its predictive capabilities for unforeseeable issues. Although challenging, they hope to enhance these aspects in the future.

6. Concluding discussion

In examining how different companies organize their compliance functions, the structure of these functions varies significantly depending on several factors, including past compliance issues and industry requirements. Some companies favour a hierarchical structure, where roles are clearly defined and aligned with corporate governance models. This ensures accountability and communication that extends from the operational level up to the CLO. The structured approach proves particularly effective for organizations that require robust centralized oversight to manage extensive regulatory demands spanning multiple jurisdictions. Consequently, this model facilitates a cohesive strategy that enhances both compliance and corporate governance across the companies' global operations.

On the other hand, some companies demonstrate a preference for a more decentralized or integrated approach to compliance. This structure is often adopted by organizations with fewer historical compliance issues, which also prioritize flexibility and responsiveness to local conditions. Consequently, decentralized structures enable compliance practices to be more closely tailored to specific operational needs. This way of working enhances the relevance and effectiveness of compliance measures within different segments or regions of the organization.

Moreover, some companies employ a hybrid compliance structure that combines elements of both centralized and decentralized models. This approach provides a balanced solution that ensures uniform compliance standards across the organization while also allowing for local adaptations to meet specific regulatory or operational challenges. The choice of compliance structure profoundly influences a company's ability to effectively manage regulatory risks and integrate compliance into its overall strategic operations. Accordingly, this highlights the necessity of aligning the compliance function's design with the organization's broader business goals and regulatory landscape.

In highly regulated industries like telecommunications and MedTech, firms often employ firm centralized monitoring systems. These sectors are subject to intense regulatory scrutiny, necessitating a comprehensive and uniform approach to compliance across all operational areas. This strategy helps mitigate risks and ensures that safety and privacy standards are consistently upheld. On the other hand, industries such as construction and metal production tend to opt for more decentralized or flexible compliance strategies. These sectors face varied local regulations and operational challenges that require adaptive approaches to manage compliance effectively. This flexibility allows them to tailor compliance practices to the specific needs and risks of different projects and regional markets, thereby enhancing operational efficiency without compromising on regulatory obligations.

These industry-specific approaches to compliance highlight the critical role of a company's operational context in shaping its regulatory strategy. For instance, the automotive industry has seen a significant shift towards stricter emissions and safety regulations. This necessitates a proactive and predictive compliance strategy to stay ahead of technological and regulatory changes. Similarly, the gardening machinery sector must navigate evolving environmental and safety standards that influence product design and supply chain decisions. Thus, the diversity in compliance strategies across these industries reflects the unique challenges and risks each sector faces. It also underscores the importance of aligning compliance practices with industry-specific requirements and stakeholder expectations.

The varied impacts of new regulations on company operations highlight the importance of a strategic approach to compliance. This approach must be adaptable and aligned with the company's operational framework and industry demands. Whether through centralized systems for uniform compliance or decentralized frameworks for flexibility, companies must navigate their regulatory environments with strategies that not only address immediate compliance needs but also anticipate future regulatory challenges. The choice between proactive and reactive approaches depends significantly on the company's industry. Additionally, the complexity of its supply chains and its historical compliance challenges highlights the dynamic nature of compliance work in a rapidly changing world.

The complexity of compliance work significantly impacts supply chain management, as evidenced by the diverse approaches employed by companies to ensure continuous compliance over time. The adoption of rigorous supplier evaluation methods and due diligence processes demonstrates a commitment to uphold high standards throughout the supply chain. These methods are crucial in managing risks associated with suppliers and ensuring that all parties adhere to the necessary legal and ethical standards. Notably, some companies engage in detailed audits and categorization of suppliers based on risk, demonstrating a comprehensive approach. In contrast, others utilize a more streamlined audit process, showcasing how operational carefulness is tailored to fit the specific needs and risk exposure of each company's industry.

Continuous monitoring systems are another critical component of maintaining compliance, evolving significantly with advancements in technology. Some companies leverage digital tools and AI to enhance their monitoring capabilities, which allows for real-time data analysis and more proactive management of compliance risks. This technological integration not only streamlines the compliance process but also boosts its effectiveness by enabling more accurate tracking of supplier activities. Such practices underscore the shift towards digital transformation in compliance work, aligning with global trends towards more transparent and responsive supply chain management.

Furthermore, the evolving regulatory landscape necessitates adaptive compliance strategies that can accommodate new and emerging challenges. For instance, proactive engagement with policymakers reflects a strategic approach to influence and adapt to regulatory changes that affect the supply chain directly. This interaction is crucial in industries where regulatory compliance directly impacts operational continuity and market competitiveness. As regulations change, the importance of embedding compliance throughout the supply chain, from procurement to product development, becomes crucial. This integration is key to maintaining a company's market position and securing its long-term success in a competitive environment.

Lastly, several methods can be pursued to build upon the findings of this study. One suggestion for future research is to incorporate a more quantitative method. This would provide a more holistic understanding of compliance practices where quantitative data from the companies could be used to compare them. By conducting surveys alongside in-depth interviews, researchers can gather extensive data that captures broad trends. Secondly, future studies should consider deep diving into individual companies to better understand their specific compliance challenges and strategies, as well as their future outlooks. This approach would allow for a more detailed examination of the unique contexts and practices within each company. Additionally, this would help researchers better understand the technological challenges the companies face and whether they are considering implementing AI and IoT solutions in their future work. Expanding the sample to include more companies within the industries already studied would also enhance the generalizability of the findings. By examining a larger and more diverse group of companies, researchers can identify common patterns and industry-specific strategies. These steps would significantly contribute to the existing data in this report and offer practical insights for companies aiming to improve their compliance functions.

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Appendix A

Interview guide

1. Introduction

1.1 Please briefly introduce yourself and your role within the company.

2. Company Compliance Overview

2.1 How do the company currently work with compliance within the company?

- How is the compliance department structured?
- What are the main areas of focus regarding compliance within the company?

2.2 Do the company have an overall compliance strategy in place?

- What are the major compliance challenges the company faces?
- How are these challenges addressed?
- Do you view any opportunities of working with compliance the way you do?

3. Impact of New Regulations

3.1 How do the company stay informed about new regulations?

- How is your process from learning about a new regulation to its implementation?

3.2 Are there any recent or upcoming regulations that have had or are expected to have a significant impact on the company?

- How is the company preparing for these changes?

3.2 How does the company allocate resources (such as time, money, and personnel) to manage and implement new regulations?

4. Compliance and Supply Chain

4.1 How does the company ensure compliance within its supply chain?

- Do new regulations affect your supply chain (mainly suppliers)?

4.2 Have you had situations where non-compliance within the supply chain affected the company?

- How was the situation resolved?

4.3 Have any measures been implemented to enhance supply chain compliance?

- How effective have these measures been?

5. Future Outlook

5.1 What do you perceive as the biggest challenges and opportunities for compliance in the future?

5.2 How is the company planning to adapt its compliance strategies in response to future challenges?

- Are there any innovative approaches or technologies they are considering or implementing?

5.3 What are the company's long-term goals regarding compliance?

- How do they plan to achieve them?

6. Concluding questions

6.1 Now that you know what the thesis is about, do you feel that we are missing something or should add an aspect to the report?

6.2 Do you have any suggestions for additional individuals/companies we should interview?

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