



Todd Haugh & Suneal Bedi

# Proving the Value of Corporate Compliance







SPEECH

## Acting Assistant Attorney General Nicole M. Argentieri Delivers Remarks at the American Bar Association 10th Annual London White Collar Crime Institute

Tuesday, October 10, 2023

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# Why is this all necessary?

*Don't companies get it by now?*

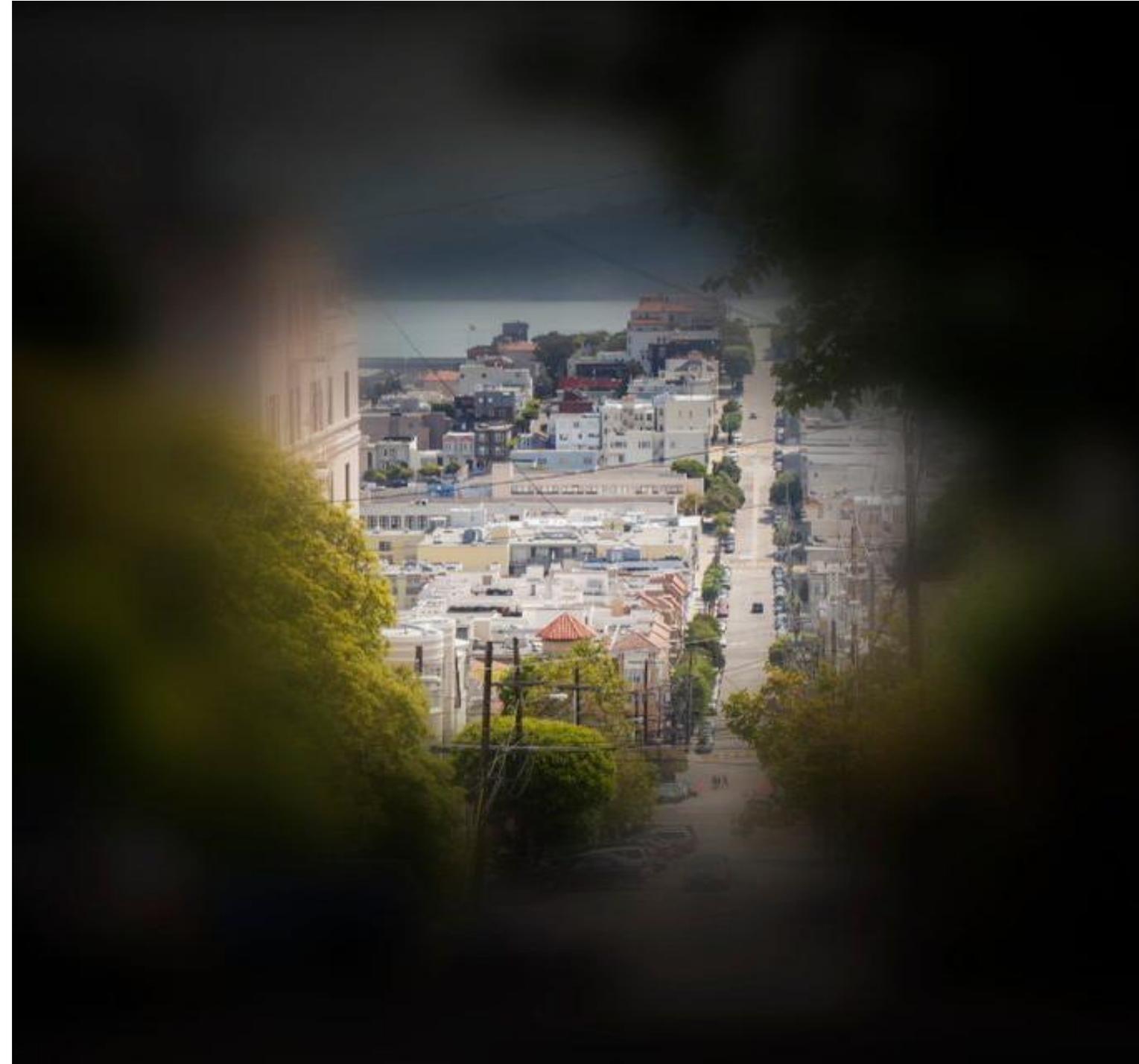
Compliance is important and the right thing to do . . . but it's also **beneficial to the firm** . . . it has *real value* . . . *obviously, right?!*



# Maybe not . . .

**compliance value** has been *narrowly* and *amorphously* construed

- liability avoidance  
(insurance and  )
- business case  
≈ better company  
(culture and returns)



# FIVE-YEAR ETHICS PREMIUM: 24.6%

According to Ethisphere's Ethics Index, the listed 2022 World's Most Ethical Companies honorees outperformed a comparable index of large cap companies by 24.6 percentage points from January 2017 to January 2022.

## ETHISPHERE

GOOD. SMART. BUSINESS. PROFIT.

\*Solactive US Large Cap Index (GTR)



# Our article

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## Valuing Corporate Compliance

*Kelley School of Business Research Paper*

*Iowa Law Review, Forthcoming*

66 Pages • Posted: 7 Mar 2023 • Last revised: 23 May 2023

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Date Written: March 7, 2023

### Abstract

Depending on who you ask, corporate compliance is either the most valuable initiative a company can invest in, or simply a type of insurance policy purchased to avoid legal liability. This divergence is problematic because it leaves the compliance community—companies, regulators, compliance scholars—guessing as to

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PlumX Metrics



# Our article



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Do you have  
been attempts to measure the value of corporate compliance, they have largely suffered from a lack of empirical rigor. This article seeks to address both deficiencies. First, we provide a more robust concept of corporate compliance value by focusing on how compliance can provide the potential for increased consumer sales revenue, a metric business leaders and regulators can easily understand and internalize. Second, by utilizing a validated statistical method called choice based conjoint analysis, we directly and rigorously measure the revenue generation value of corporate compliance programs. Our article is the first to provide empirically sound, direct evidence that corporate compliance can create positive revenue enhancing value for companies. This more complete conception and measurement of compliance value has important implications for corporate stakeholders, including managers who design and implement compliance

## Abstract

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35 Referer

PlumX Metrics



# Our methodology

- **Choice Based Conjoint** works by giving consumers hypothetical product choices that vary on **product features**.
  - Once consumers choose one product among a set of three to five, CBC allows researchers to ***calculate how important each feature is to the purchasing decision*** and how much a consumer is **willing to pay** for a given feature.



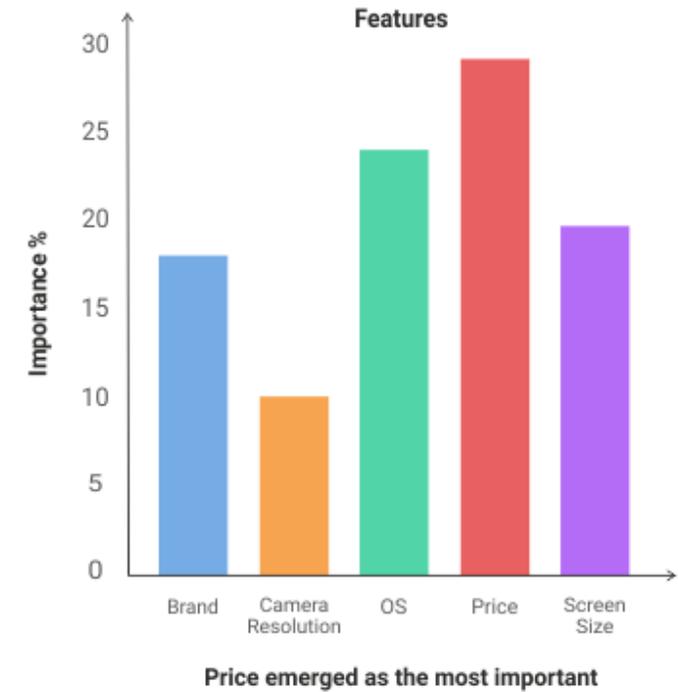
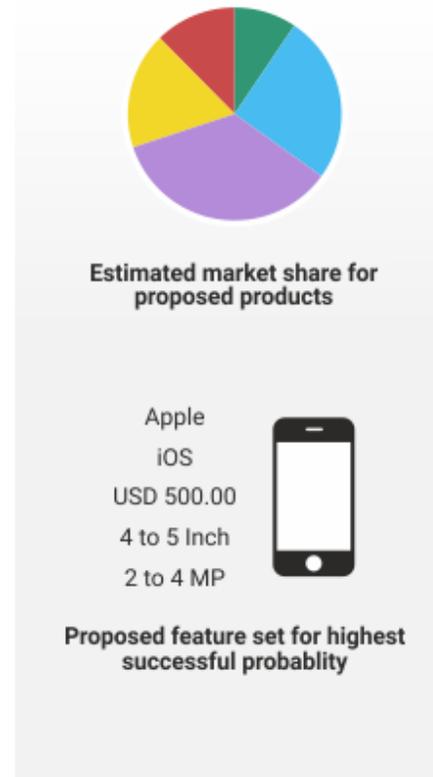
# Choice based conjoint

Levels  
(Various options available per feature)

Brand	Apple	SONY	NOKIA
Price	\$500	\$300	\$400
Operating System	Apple	Android	Windows
Screen Size			
Camera Resolution	2 to 4 MP	4 to 6 MP	Above 6 MP

Features  
(Various parameters to make decisions)

Conjoint Analysis can measure the impact of these Features mathematically



*Table 1: Compliance Program Descriptions*

<b>Compliance Program Name</b>	<b>Compliance Program Description<sup>140</sup></b>
Privacy and Cyber Security	A <b>privacy and cybersecurity program</b> is one that seeks to protect company, employee, and consumer information from external parties. A company with a strong program hires individuals in the company whose sole job is to monitor cybersecurity and privacy concerns. In addition, the company trains its employees to protect both company and consumer information.
Environmental	An <b>environmental/health safety program</b> is one that seeks to decrease the harmful impact that the company's actions have on the environment. In addition, this

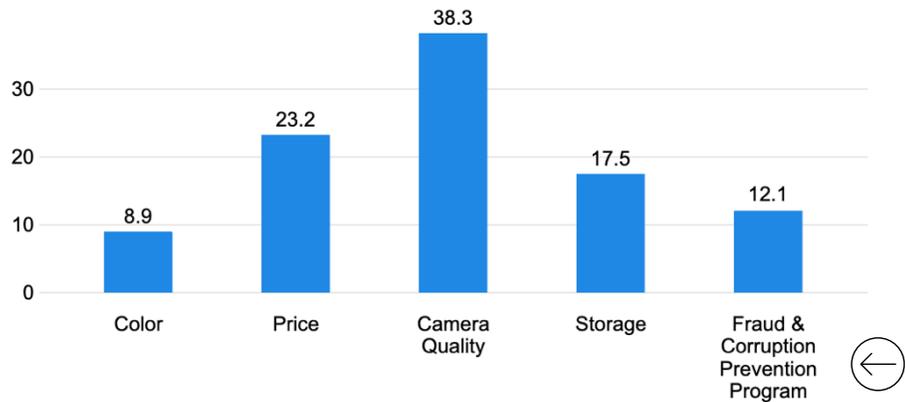
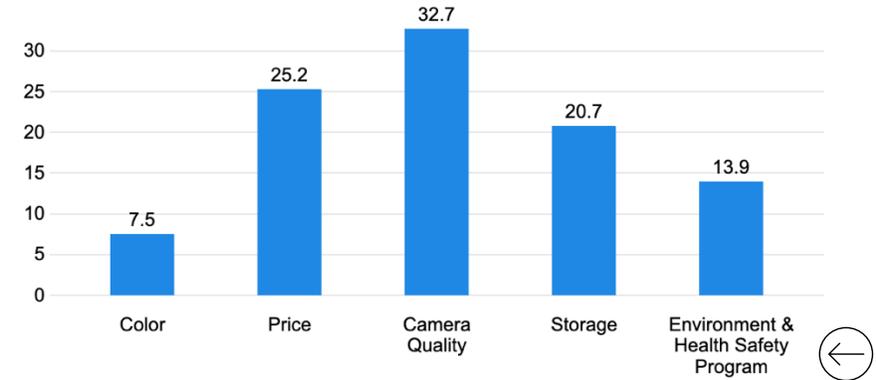
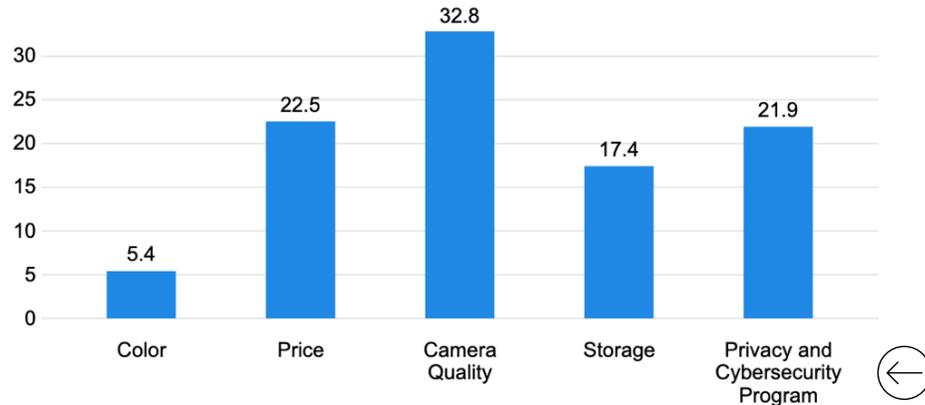


# Sample of choice set (cell phone)

	Phone 1	Phone 2	Phone 3	None
Color	Red	Black	Red	None of these options
Camera Quality	3MP	3MP	12MP	
Storage	32GB	32GB	32GB	
Privacy and Cybersecurity Program	YES Privacy and Cybersecurity Program	NO Privacy and Cybersecurity Program	NO Privacy and Cybersecurity Program	
Price	\$850.00	\$1000.00	\$700.00	
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



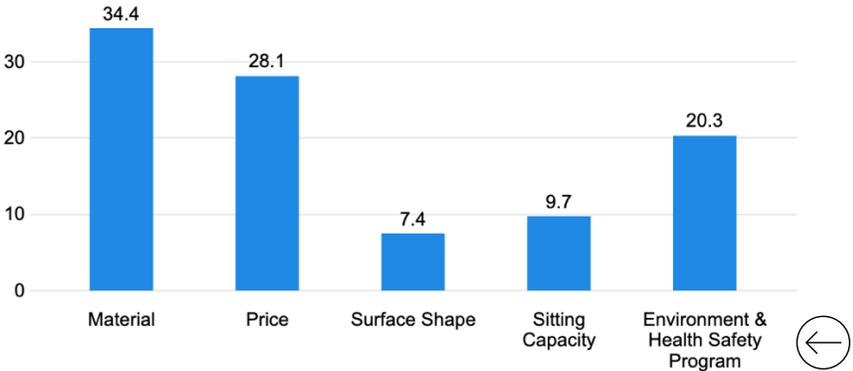
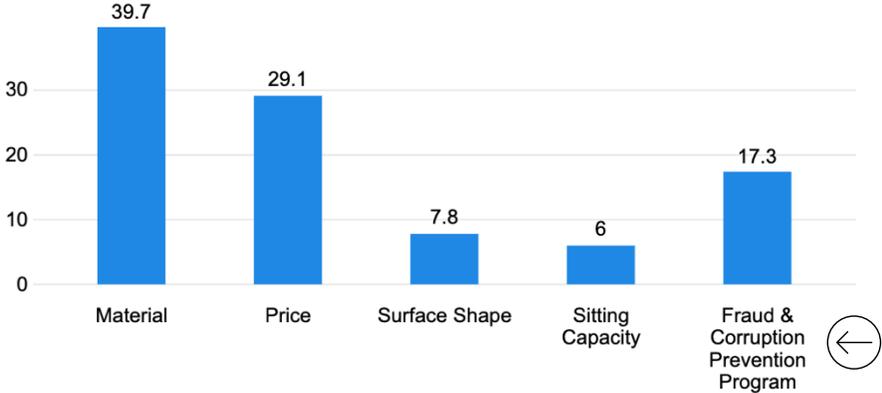
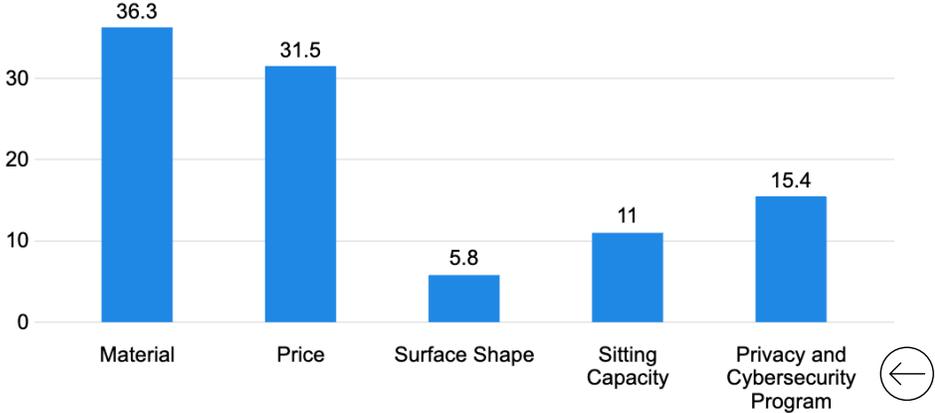
# Our results (cell phone n=582)



CELL PHONE STUDY	
Compliance Program	WTP
Privacy and Cyber Security	\$ 272.70
Environmental and Health Safety	\$ 134.70
Anti Fraud & Corruption	\$ 127.90



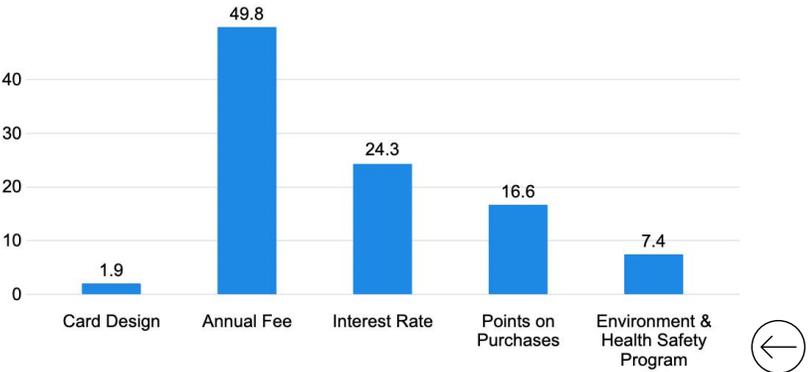
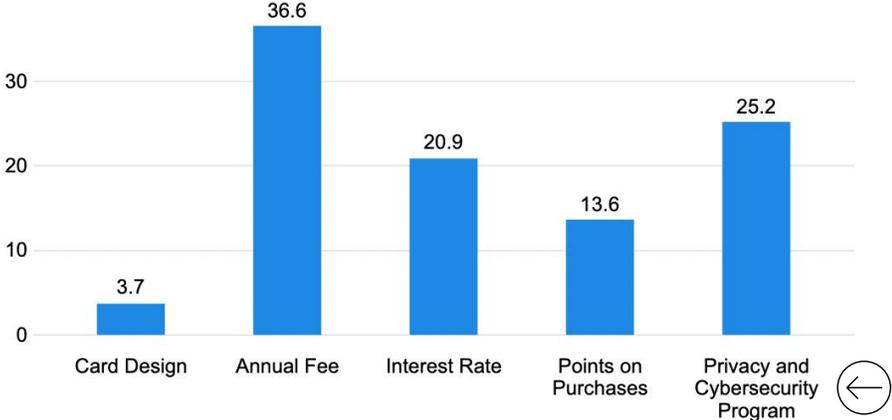
# Our results (dining table n=579)



DINING TABLE STUDY	
Compliance Program	WTP
Privacy and Cyber Security	\$ 244.30
Environmental and Health Safety	<b>\$ 362.70</b>
Anti Fraud & Corruption	\$ 194.10



# Our results (credit card n=573)



CREDIT CARD STUDY	
Compliance Program	WTP
Privacy and Cyber Security	\$ 115.70
Environmental and Health Safety	\$ 22.50
Anti Fraud & Corruption	\$ 69.00



## Results Summary 2

Study	Feature	Compliance Program		
		Environmental & Health Safety	Fraud & Corruption Prevention	Privacy and Cybersecurity
Cell Phone	Color	7.50	8.90	5.40
	Price	25.20	23.20	22.50
	Camera Quality	32.70	38.30	32.80
	Storage	20.70	17.50	17.40
	Compliance Program	13.90	12.10	21.90
Dining Table	Material	34.40	39.70	36.30
	Price	28.10	29.10	31.50
	Surface Shape	7.40	7.80	5.80
	Sitting Capacity	9.70	6.00	11.00
	Compliance Program	20.30	17.30	15.40
Credit Card	Card Design	1.90	3.70	3.70
	Annual Fee	49.80	43.70	36.60
	Interest Rate	24.30	20.40	20.90
	Points on Purchases	16.60	14.30	13.60
	Compliance Program	7.40	17.90	25.20

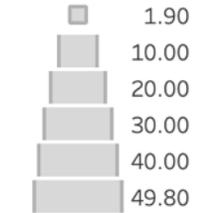
Feature

(All) ▼

Importance Color Legend

0.00  45.00

Importance Size Legend



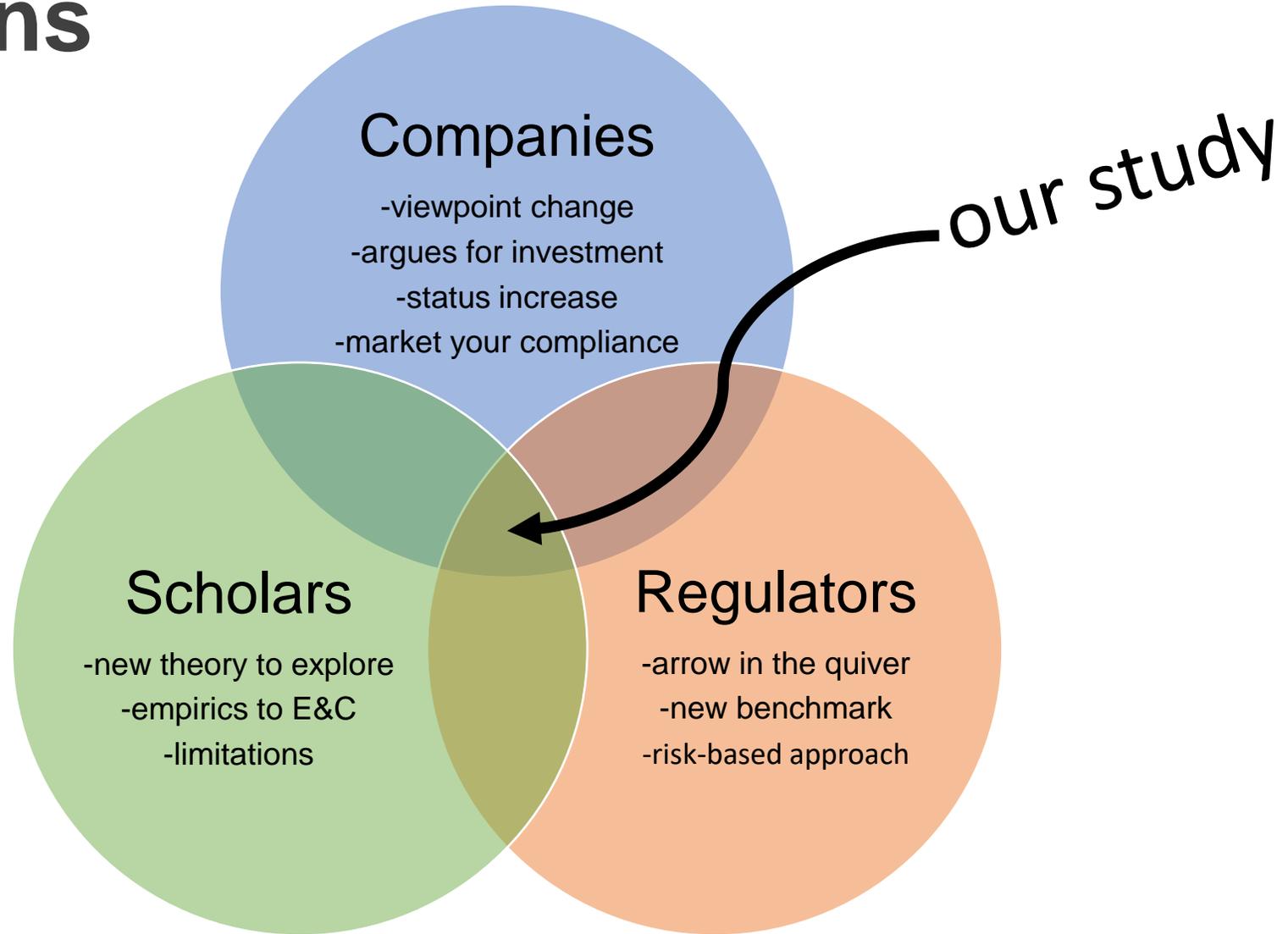
# Findings

Our CBC study **finds** that:

1. Consumers are willing to **pay a premium for products that come from companies with strong or effective compliance programs.**  
*“Consumers will pay more for compliance.”*
2. Consumers value products from companies that have compliance programs **more than they value other attributes** of those products.  
*“Compliance is worth more than a pretty phone.”*
3. Consumers are willing to pay higher price premiums for compliance programs **targeted** to the products they are purchasing.  
*“Linking compliance programs and products is good business.”*



# Implications



Questions?

