

**A CASE STUDY OF GLOBAL INTERNAL COMPLIANCE
IMPLEMENTATION IN THAILAND: ITS PROBLEMS**



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entitled
**A CASE STUDY OF GLOBAL INTERNAL COMPLIANCE
IMPLEMENTATION IN THAILAND: ITS PROBLEMS**

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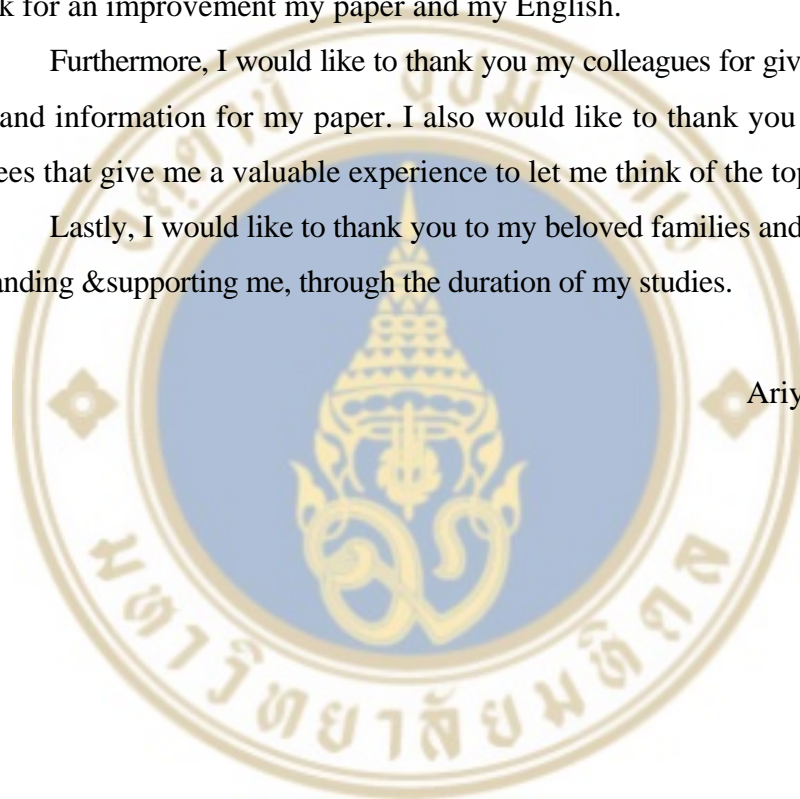
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ABSTRACT

This study aims at analysing the compliance implementation of Company A, a global pharmaceutical company providing biological and pharmaceutical products in many parts of the world including Thailand. Recently Company A took over Company B, dealing with an animal health business as their subsidiary. During the period of merging of the two businesses having superficially the same line of business, there seem to have problems in implementing the compliance. To find out such problems, Typology of Compliance Tactics as suggested by Foorthuis (2012) was adopted for this study by dividing the organization employees into 3 levels. The author selected each of the 8 samples purposively for the in-depth structured interviews with four sets of questions for detailed information from the samples. The results showed that the SOP covering the animal health business needed to be composed because the compliance for such a business was different from the businesses that Company A did before merging. All samples were secured with having compliance but the new complete compliance covering all areas of business needed to be completed in order to provide clear guidelines for those to implement and to comply. New approaches for interactive training and formal seminars should be held so as to clarify doubtful points for implementation, which would be helpful for those who have to follow the compliance.

The study showed that all employees were aware of the company reputation, and felt that integrity, and loyalty should also be promoted among the merging staff members as well.

KEY WORDS: Compliance/ Internal compliance/ Ethical firm/ Implementation, global compliance

33 pages

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CHAPTER I

INTRODUCTION

Globalization theories posit organizational convergence. Stohl, Stohl and Popova (2009) suggested that codes of ethics or internal compliance will become commonplace with greater consideration of global issue in every business sector such as pharmaceutical, apparel, energy, tobacco, and so on. To make the compliance work more efficiently, Scholtens and Dam (2007) suggest that the local law, regulations and also cultural and traditional codes of ethic be included since each country has its own way of running business, so the global company has to consider and observe local compliance as well.

Compliance refers to the state of conforming to a rule, a specification, a policy, standard or law. In order to achieve the utmost company's objective, the company's regulatory compliance must be mandatorily needed so as to describe the goal that all organizations desire to achieve in their efforts to ensure that they are aware of and take steps in complying with relevant laws and regulations. (Silveria et al., 2012)

It is widely accepted by both businesses and consumers that the company's compliance or ethical codes provide industry-wide advantages as guidance in, particularly, ethically ambiguous situations. For example, when an employee is not certain of what course of action he or she should take when faced with an ethical dilemma, he or she can always rely on the company's guidelines for assistance (Fleshier and Blenkhorn, 2000).

Due to an increasing number of regulations and the need for operational transparency, organizations are increasingly adopting the use of consolidated and harmonized sets of compliance controls (Silveira et al., 2012). Thus, every company needs ethical codes or compliance, and pharmaceutical business, is not an exception. Its situation is, however, more complicated and the business needs enforcement on the compliance because in any general business, customers tend to choose their own products

to suit their satisfaction or their choice. In contrast, pharmaceutical business customers have no other choice than using the products prescribed by physicians.

So, physicians play an important role in this business and not patients who are supposed to be customers or supposedly the end-users of the product. According to Bhalla, Evgenioun and Lerer (2004), pharmaceutical business marketing is quite unique in such a way that product life cycle, price, distribution and communication are scrutinized and tightly controlled by not only regulators but payers, insurers, governments, managed healthcare (MHC) organizations, and salesforce representatives (reps). As a result, it is very crucial when there is a co-operation between the pharmaceutical company and the health care sector personnel like doctors or physicians. Norton Fulbright (2013) gave an example of such a co-operation among people involved in the scandal with regards to possible corruption risks. These sensitive relationships between healthcare professional and pharmaceutical companies can eventually be included in the sponsorship, the invitation guest lists, training, gifts, and the like. It is obvious that every pharmaceutical company aims at making its utmost profits while doing its good governance business. That is to say the company is conforming to its compliance, regulations and law. But, at the same time, the dilemma occurs because in this competitive business environment, a smart strategy is required for business competition.

In this case study, Company A is a global pharmaceutical company doing their business in many parts of the world including Thailand in providing biological and pharmaceutical products. Recently Company A took over Company B, an animal health business as their subsidiary, so Company A's business, after merging, extends their products to include animal health products and veterinary science products. And as such, Company A's compliance needs to be reviewed and revised to cover rules and regulations of the former Company B as the business and marketing strategy of the animal health and veterinary science products are different from those products of the Company A. Or so to say, two compliances have to be merged and reviewed to act as the new Company A's Internal Compliance, which will be the global policy or the norm of the Organization in various parts of the world. To these very days, the internal compliance enforced in this Global Company has been based upon the original compliance of the Company A without any SOPs of the former Company B. So, this is the crucial point to be considered because in the future, the staff members, no matter where they

are in this world, have to observe and to comply with the only Company's Compliance. And consequently, to introduce the new compliance of the Company A, the company's HR team needs to disseminate the company's norm and create learning tools for self-learning like videos, guidebooks, and some other forms relevant for that particular region to every employee without any exception because the "Compliance" when it is ready will be new to every employee even those who have been working with the Company A and those who have been working with the Company B, now becoming Company A-3. Training needs to be done continually to all employees. Bearing in mind that what is considered the right practice is that all issues from the 3 business units have to conform to each regional country's law and the company's compliance. Some issues, however, may be subjective and need to be considered and scrutinized in details for the company's reputation.

In the study, the merging of the 2 companies' calls for a careful consideration of launching marketing projects involving different marketing strategies among the 3 business units, in particular, covering animal pharmaceutical products, while there has not been any revised compliance concerning the business of animal health products. In addition, collectivism in the Thai society may lead to problems of compliance implementation. Thus, this study will focus on the problems of internal compliance implementation of the Company A in Thailand particularly during the merging period in which there has been only the original compliance of the Company A, used before the merging period, which may affect employees' behaviors and attitudes and will give suggestions regarding the best way to implement the company's global compliance.

CHAPTER II

LITERATURE REVIEW

Organizational ethics are very crucial in doing business. As Paine (1994) explains, organizational ethics mean moral codes, rights or wrongs, and above all, imply more than avoiding illegal practice. Executives who ignore ethics run the risk of personal and cooperated liability. It seems that if organizational ethics are violated, there will be an increase in a short term profit. But in fact, there happens to be a misconduct of ethics, which will eventually lead the company down. Unethical norms of the company are viewed as poor profit from false accountability, stock management and sales profit (Cialdini, Petrova and Goldstein, 2004). Therefore, organizational ethics are mandatory, and every organization is called for observing moral codes or ethics.

Law and regulations in pharmaceutical products in U.S. FDA 2011, issued in medical drug plan chapter 9, call for an effective way to observe what seems to be in the grey border of being right or wrong so the internal compliance has become highly relevant for both practitioners and academics (MacLean and Behnam 2010; OCEG, 2009). The compliance can not only form the norm of an organization but also control the behaviors of employees in the right ways especially if there is something related to various types of perspective systems in industries.

Scandals and unethical firm behaviors can also severely damage organization's reputations due to customers are dissatisfied, disappointed shareholders, and displeased employees (Harris and Coming, 2007). The reputation of a global company is far beyond evaluation especially when one problematic situation in one country has a great impact to other markets around the world so that global company should protect its reputation to maintain its trust from customers and everyone involved in its products and particularly its markets around the world.

Compliance has been referred to as internal policy, internal standards or unwritten ethical norm (Foorthuis, 2012). The term of compliance has extended to refer

to the underlying business goal such as transparency or good governance and has been used to protect the organization's reputation.

The term of conformity has not captured the attention of the people, and thus, has less agreement than the term compliance. However, the term, 'conformity' which is regularly used to refer to rules (Tyler and Bladder, 2005), and especially as a state of accordance in the absence of an appropriate term (Cialdini et.al, 2004).

Besides the above mentioned, the term 'norms' should also be discussed here. Norms according to Vranes (2006) have fundamental functions of obligating, prohibiting and permitting according to legal logic. So, cultural norms can exert social pressures given by business practice from the company. However, there are also informal norms, which are often characterized along normative, regulative and cognitive dimension that may lead to an increase in business responsibility (Delois, 2010). Thus, ethical norms should be appropriated for companies in addition to implementation of the company's compliance.

It should bear in mind that there are also differences of norm of home country and that of the host country, which may affect the implementation of global compliance. This implementation does not mean correctness or truth value of the host country because some of the practice can be permissible (Donaldson, 2004). So the global compliance may have a problem when implemented without attention in these home norm differences.

Culture also plays a great role in composing compliance. Scholthens and Dam (2007) investigated how culture affected the firm's ethical conduct. Culture, as a multifaceted concept, had to build on, to cultivate and/or to foster. Norm, however, is an authoritative standard, or a model or a principle of any right action binding upon the members of a group and serving to guide, to control, or to regulate proper and acceptable behavior. So it is a set standard of development or achievement usually derived from the average or median achievement of a large group. Thus, norms are standards for value existing within a group of people where culture can be found in symbols and rituals.

Hofstede (1991) proposed 4 cultural values, which had a greater significance when implementing the compliance. The 4 cultural values are uncertainty avoidance, power of distance, individualism (versus collectivism), and masculinity (versus feminism). The Hofstede's center website shows that Thailand is low in individualism which can

be interpreted as high collectivism and is also rather low in masculinity or favoring femininity. The high collectivism means a close long-term commitment to the member 'group' (a family, extended family, or extended relationships). The loyalty in the group is the most important compared with others social rules and regulations. Everyone needs to follow members of their groups so the word “Yes” may not mean “Yes, I accept it.”

An offence leads to losing face and Thais are very sensitive not to feel shameful in front of others especially their group members. Personal relationship is important particularly when conducting business and it takes much time to build such relations.

Moreover, Scholthens and Dam (2007) found positive association between individuality and ethical conduct. In China, some traditional norm may affect ethical conducts such as Confucianism forming a moral person (Junzi), core human morality (ren,yi,li) and relationships (guanxi). The guanxi culture (a proverbial Chinese variety of social connection) may not align with the European culture. Chinese people, on the contrary, tie their connection with others by giving rewards or gifts, which may be viewed as bribery risk in other cultures. So, this gift giving is not to comply in the US or the European business companies (Scholthens and Dam, 2009). But this gift giving or offering a souvenir is also the basic norm in the Thai culture to build up and continue their relationships either friendly or business relationships as a remembrance to the state employees, the customers, friends and relatives along the same line without any differences.

Global compliance of an international company running their business out of the home country has to be aware of the differences in ethical value, culture, law and regulations between the two countries. Reagan (1996) pointed out that conflicts might occur when the codes were implemented in different countries. First, an economic conflict occurs when the wage in one country is lower than the other country to attract investment. The second type of cultural and tradition conflict as it occurred in China, Japan and others Asian countries is the gift giving. A business company needs to tighten their relationships with customers and government sector. In Japan, business stops if there is no such a relationship. So, many companies limit the cost of gift to be given in their code of conduct or the company compliance.

Kaptein and Schwartchz (2008) suggested codes of ethics guides the employees' both present and future behaviors and also specifies corporate ethical values and the responsibilities of employees and stakeholders. Stohl, et.al (2009) can define ethics in 3 generations to create the global code of ethics. First generation talks about legal contexts of corporate behaviors which need to comply with the host country's internal law. Second, code incorporates responsibilities of a group associated with the company. Third generation ethics transcend the profit motive and intra organizational dynamic. This generation extends their responsibilities to the environment and social responsibilities.

In implementing the compliance, Foorthuis (2012) suggests 2 concepts of compliance implementation. The first one focuses on cost and benefits to influence employee's behaviors based upon logical consequences. People who get involved in implementing compliance have to choose the most rational alternative among other alternatives. When there is a non-compliance case, punishment is to be used to deter unwanted behaviors. But rewards are also an additional means in the rationalistic perspective for stimulating an increase in compliance by changing the cost and benefit calculation to actor's advantage. The second concept of compliance implementation involves normative view focusing on cooperation and assistance among employees as a way of encouraging compliance. This approach needs logical appropriateness, which requires views and actions based on identities, role, obligation and considerations of appropriate, fair and legitimate actions.

Company A follows the normative strategy by providing the Compliance Officer full authority and the CO has to report directly to Global CEO and the Board of Committee in order to prevent the country managers from intervening. So, the Compliance Officer (CO) works as a consultant to all employees and scrutinizes the compliance implementation projects of the organization under his supervision. The CO is placed at the management level and in order to ensure that every employee recognizes the company's compliance; the CO has to work closely with the HR team for compliance training projects, and disseminate all the details to help better understanding of the staff members. As a consultant at the management level of each department, the CO can ensure that the projects or assignments in that organization or the company are conformed to the compliance. In addition to the compliance, the company needs to build

up integrity among its staff members besides emphasizing the goal of doing business-making profits. As mentioned earlier, the Board of Committee particularly of the Company A usually place their main concern on business reputation since their pharmaceutical products must be reliable and effective so the compliance of the company must be strongly observed and strictly enforced as it is the effective tool to build up brand image and reputation of the company. It is admitted that the policy of Company A is aligned with the normative strategy in their structure but while implementing, the employees are faced with some obstacles in the department of animal pharmaceutical products. This research is an attempt to show there may be some obstacles of implementation in Thailand during the merging period.

Foorthuis (2012) recommends that Typology of Compliance Tactics is an effective way to review the company's compliance. Foorthuis divides the whole organization into 3 levels: enterprise, collective, and individual, and places the main focuses on four categories: inducement, enforcement, assessment, and management.

1. At the enterprise level, the whole organization can be considered a core network of an organization. The internal regulators are located at this level and at which the policies are determined although there may obviously be pressure from higher external level, which is out of scope here.

2. The second level or the accommodate level is a level for various types of collectives that are expected to comply. They exist within the enterprise such as the sub-units and programs and their projects and team.

3. The last level or the individual level is the level for those who may be directly expected to comply (e.g. in the case of information security procedure) or who may be part of collective that is requested to comply (e.g. case of the project implementing a medical administration system that needs to comply with privacy regulation). In both cases, the decisions of behavior of individuals are determinants of actual of compliance.

The Typology of Compliance Tactics can be demonstrated below.

Table 2.1 Typology of Internal Compliance Implementation in 3 business levels

<i>Organizational Level</i>		<i>Focus</i>			
		Inducement	Enforcement	Assessment	Management
Enterprise	Mandating compliance officers to provide incentives Developing guidelines for rewarding	Mandating compliance officers to provide disincentives Developing guidelines for punishing Making examples out of non-compliers	Gaining insight into enterprise-wide compliance rates Reflecting on culture in terms of compliance Auditing the compliance function Using self-reporting Installing a whistle-blower hotline Training compliance assessors Subjecting operations to third party scrutiny* Internal regulation by information*	Creating internal commitment by external justification Properly specifying policies Actively disseminating policies Preventing non-compliance Ensuring management support Understanding & using social structures Gathering and creating knowledge Facilitating communities of practice Socialization of newcomers Implementing self-regulation*	
Collective	Funding compliance-unrelated expenses Providing political support for other initiatives Celebrating successes	Rejecting the project deliverable Terminating the project	Using IT-systems for storing and managing auditable information Automatically assessing compliance Manually assessing compliance	Providing assistance Compensating for compliance costs Selecting compatible and knowledgeable employees Using internal market logic*	
Individual	Offering formal rewards Offering social rewards Offering professional rewards	Imposing formal penalties Imposing social penalties	Providing performance feedback	Training regulated actors Employing social psychological mechanisms Providing organizational support Signing an agreement	

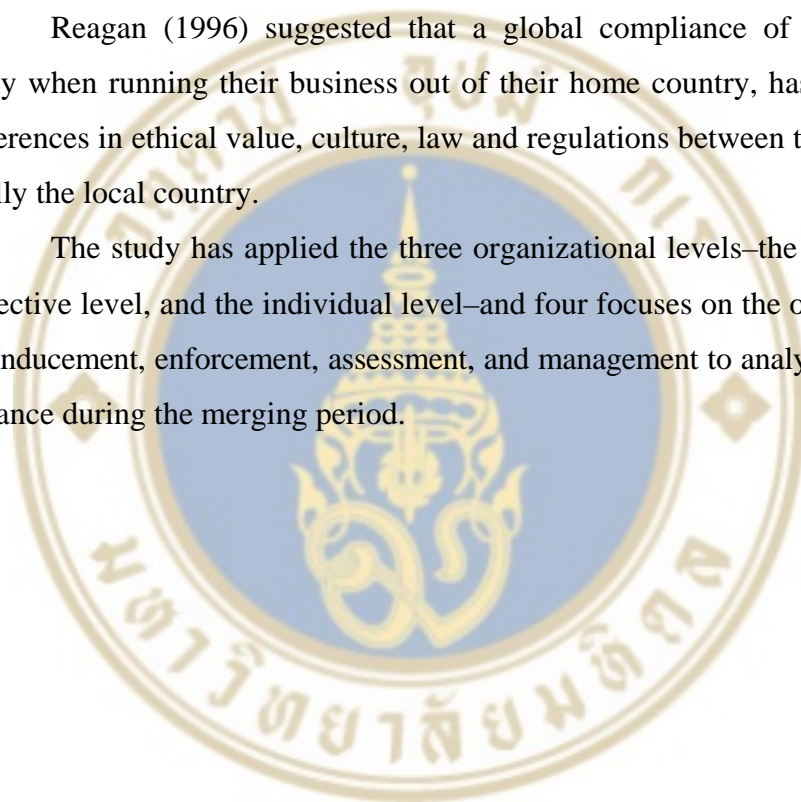
Source: Foorthuis (2012)

From the literature review, the following research proposition has been derived: when two or more companies are to be merged, the compliance implementation is likely to be influenced by the type of industry and the local culture of the host country where the company operates.

This research study has applied the Typology of Internal Compliance Implementation of Foorthuis (2012) in order to analyze the implementation of Compliance during the merging period of Company A. And since the company A is a global company, it should observe the local regulations as mentioned by Reagan (1996).

Reagan (1996) suggested that a global compliance of an international company when running their business out of their home country, has to be aware of the differences in ethical value, culture, law and regulations between the two countries especially the local country.

The study has applied the three organizational levels—the enterprise level, the collective level, and the individual level—and four focuses on the organization on 4 topics—Inducement, enforcement, assessment, and management to analyze the Company Compliance during the merging period.



CHAPTER III

COMPANY BACKGROUND

Company A, in this case study, is a global pharmaceutical company doing the business of pharmaceutical products. Recently, Company A took over Company B, an animal health business doing the business of providing animal health products and veterinary science products. So, Company A is presently running business with the former Company B as its subsidiary and the former Company B's employees are now working under the Company A as a subsidiary A-3, which means they need to follow the Company A's rules and regulations, share working functions and resources, and most importantly, comply to the Company's compliance—something new and unfamiliar to them. The employees have to adapt themselves to the new environments, new rules, new regulations, and new compliance, which were different from their former Company B. At the same time, rules, regulations, and SOP of former Company's B might be viewed as something unfamiliar to the employees of the original company A, due to the fact that the two companies were doing different businesses, though superficially viewed as quite similar dealing with pharmaceutical products.

The former Company B, a global company, before merging, had its own SOP and code of ethics to comply under the supervision of the Controller and the Internal Auditor and the External (Global) Auditors in the Accounting Department. The projects were reviewed by either the Business Manager or the Country Manager for more consideration and by the Financial Department. If the projects were approved, the budget were also approved. Company B based their consideration on the local legal regulations. There was no Compliance Officer.

The Compliance Officer is a new position that the employees from the former Company B have to deal with along with the compliance itself. These employees need to be trained with the compliance and the process of getting their projects to be approved is under the consideration of the Business Manager and finally the Country Manager.

The training online emphasizes the importance of compliance with some examples of non-compliance issues.

The Compliance Officer is working directly under the Global CEO from the Parent Company with the responsibility of observing that all projects have to comply. The CO is not under the organizational structure of the company. The CO's judgement to the project manager is either to comply or not to comply by providing options to make it comply.

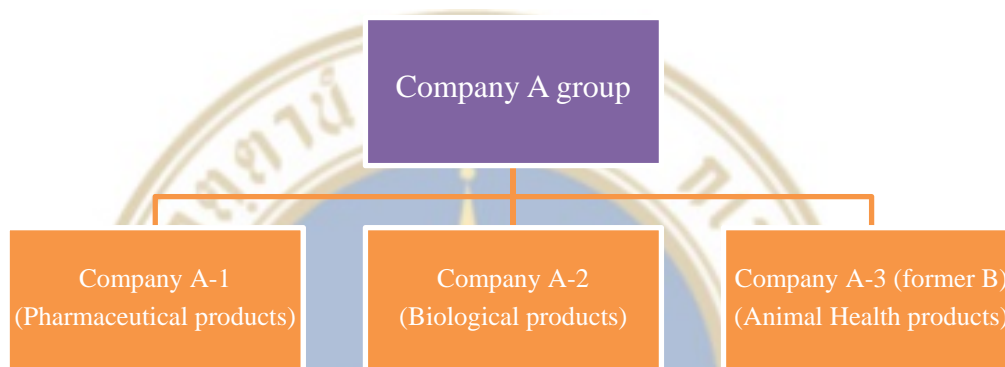


Figure 3.1 The 3 business units of Company A and the position of the Country Compliance Officer (CO)

After two years of merging, the SOP for the former Company B has not been reviewed or revised. The original compliance procedure of the Company A has been enforced under the observation of the CO for the projects of the Company A-3 or former Company B.

3.1 The Country Compliance Officer

The Country Compliance Officer or the CO takes all responsibilities in enforcing the company's compliance. Her responsibilities include considering the projects and most importantly, in some cases making a final suggestion on some projects considered as risks of breaking the compliance though legal conforming. The Country compliance officer's responsibility is to observe the employees ethical business behaviors and to promote business integrity in the company. If there may be some issues which might lead to non-compliance behaviors, the CO will offer alternatives or options, or disregards

such an issue. The CO participates in the new employee training process and another major responsibility is the non-compliance investigation cases in the company. A non-compliance case, if there is any, will be reported directly to the Global CEO. In addition, the CO has to keep up with the Thai law and regulations, and the Thai culture in alignment with the company's compliance. So to say the CO renders her supervision to the 3 business units in Company A: pharmaceutical products A-1, biological products A-2, and animal health products A-3.

During the merging period, Company A has appointed a committee to write the SOP to cover detailed outline of all the marketing projects of the business unit of company A-3 because launching an animal pharmaceutical marketing project is different from the pharmaceutical projects Company A has been practicing for a number of years. The SOP committee has been aware of the alignment of the 3 business sectors.

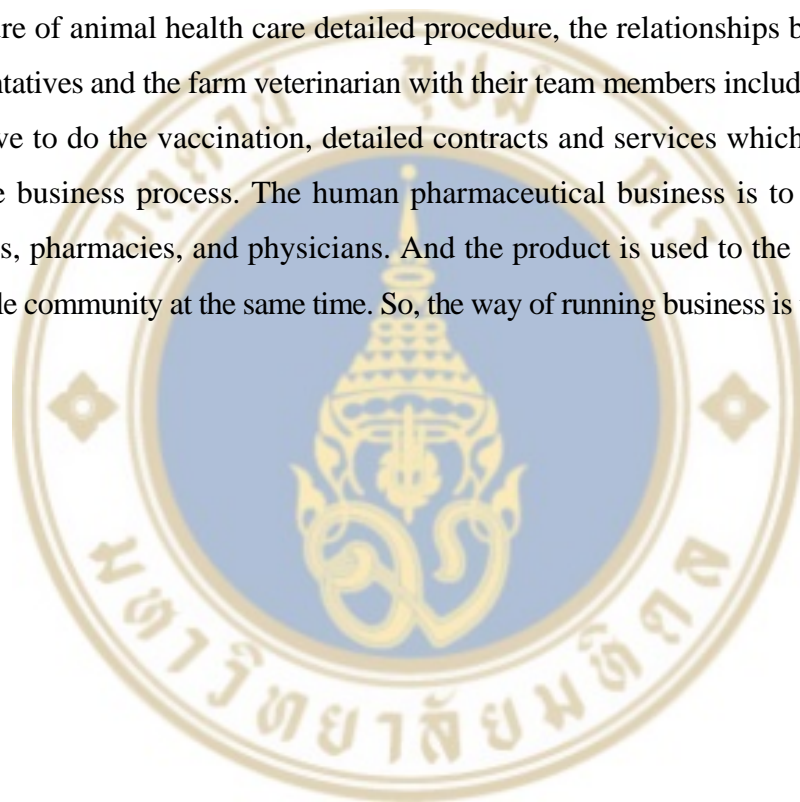
3.2 The Writing Compliance Committee Members (SOP Committee)

The committee members have been assigned to draft the company SOP aiming to be implemented in 2016. All members have their own daily routine responsibilities, so they have to spare their busy time drafting the SOP. One of the selected committee members is responsible for marketing and thus, gets involved with a lot of projects which need to comply with the company compliance. The other member is responsible for the regulatory affairs with less contact with other people in general, but having a lot to do with both law and regulations on one hand, and the compliance on the other. All the members are busy at all time.

3.4 The Nature of Animal Health Product Business

The differences of business units have an impact on business activities and business processes. Animal health product business is very different from human pharmaceutical products. Human vaccination, for example, has to be done by health care professional personnel and the sales representatives do not need to provide details as how to do the vaccination whereas animal vaccination has to be done differently. First,

farm animal veterinarians select the products, set the vaccination programs. And, then, farm workers eventually do the vaccination to the herd animals. Most importantly, each animal has to be vaccinated at the same time, on the same day to ensure the herd titer level. Thus, for example, in the farm animal health sector, product availability to be delivered to the farm is necessary with sufficient quantity and precise specified time. In one household, there are 20,000 broilers and each broiler needs vaccination at the same day as specified in the program to increase the crop vaccine titer and to prevent the disease to the household. The procedure to fulfill this task needs understanding of the nature of animal health care detailed procedure, the relationships between the sales representatives and the farm veterinarian with their team members including farm workers who have to do the vaccination, detailed contracts and services which need to comply with the business process. The human pharmaceutical business is to sell medicine to hospitals, pharmacies, and physicians. And the product is used to the individual not to the whole community at the same time. So, the way of running business is totally different.



CHAPTER IV

RESEARCH METHODOLOGY

This case study is the qualitative study with adaptation of the Foorthuis' (2012) Typology of Compliance Tactics for investigation of the implementation of internal compliance as enforced in company A in Thailand.

4.1 Theoretical Framework.

The study was based on the adaptation of the Foorthuis' (2012) Typology of Compliance Tactics for investigation of the implementation of internal compliance as enforced in Company A in Thailand. The in-depth structured interviews were employed at 3 conceptual levels: Enterprise Level, Collective Level, and Individual Level. Three were from the enterprise level, two from collective level, and three from individual level with a total of 8 respondents for this study.

The procedure of the case study is as follows.

Firstly, Foorthuis 2012 framework has been studied. His framework includes all the company's levels at which the internal compliance has been enforced. At each level, there have been cases where internal compliance has been successfully used; and in other cases, the compliance has shown ample sampling cases of a typology, which constitutes a comprehensive and rich overview of elementary ways for bringing the organization into compliance. Secondly, there has been an overview of fundamental concepts in the theory of compliance forming the basis for the framework developed for positioning compliance tactics and for analyzing and developing compliance strategies. Thirdly, there have been insights for moving from compliance tactics to compliance strategy.

4.2 The Sampling Selection

Each level has been reviewed bearing in mind the Company's and the Thai business environments. Then, 3 purposive sampling employees were carefully selected for each level considering the role in the company relating to the compliance. Then, each set of structured questions to illustrate the topic were written along the adapted framework to clarify the effectiveness and obstacles during the process of implementation. The 8 respondents were as follows:

4.2.1 The Enterprise Level

For this level, the country Compliance Office or the CO, and two committee members of SOP were selected as interviewees. So there were three respondents from the enterprise level.

4.2.2 The Collective Level

Two employees were purposively selected from the collective level, or the management level. Both of them have been working in the company more than 3 years and have a good understanding in both the market situation and the new compliance policy as well. The first sample from this level is the sales manager who is responsible for all projects of the sales department including promotions and marketing strategies to reach the sales target. He has to be thoroughly knowledgeable for the company's compliance.

The other selected sample is a technical specialist who is responsible for all the projects concerning training, donations, sponsorships, other academic supports for colleges and universities, holding the seminars and information dissemination projects. At some other time, he has to contact the customers for information and not for sales purposes.

4.2.3 The Individual Level

There are three respondents selected from the individual level. They are representatives of three different departments in order to get different points of view from various angles.

The first selected sample is an employee working for 3 years with major responsibility in procurement. She needs to make a lot of contacts with various suppliers. The second sample is an accountant who is responsible for financial reports of the company. Any project complied with the company's compliance will be financially supported by the company. The third selected sample is a salesman who has joined the company only for a year and needs to follow the compliance strictly.

The 8 respondents in this study can be exemplified as follows:

Table 4.1 Samples selection for the study

Level	Number(s) of selected respondents
Enterprise Level	1 Compliance Officer 2 Committee Members (SOP)
Collective level	1 Sales Manager 1 Technician Specialist
Individual level	1 Accountant 1 Salesman 1 Procurement Personnel

After the purposive selection of respondents, the interviews were scheduled for detailed information concerning the attitude towards the compliance, its implementation, its obstacles and its impacts on working procedures. Each sample was separately interviewed by the same interviewer in order to prevent any preference or any bias towards the given information or comments of the interviewee. The data from 8 respondents were finally analyzed.

Suggestions and recommendations were to be presented as to conclude the study.

CHAPTER V

ANALYSIS AND FINDINGS

According to Foorhuis (2012) Table of Typology of Compliance Tactics, it was found that Company A's 3 organization levels were clear and could classify employees in a level according to his or her responsibilities and compliance measures. Considering the focus of the company towards inducement, assessment, management and enforcement, it was found that there was no such thing as clear or obvious incentives for mandating compliance officers or any possibility of the company developing guidelines for rewarding. This is due to the fact that it is every employee's responsibility to comply with the company compliance. So, it does not mean that when a person complies, he will get a reward. Or, in other words, a person complies because of incentives. Every employee has to comply or else he does not fit to the company.

The internal compliance policy of company A according to Foorhuis 2012 framework from the findings can be analyzed and summarized as in Table 3, where:





-  refers to the existence of policies;
-  refers to the existing policies with possible problems;
-  refers to the partial application of policy; and
-  refers to no policy.

Table 5.1 Summary of Company A’s compliance implementations according to Foorthuis 2012 frame work

		Organizational Level			Focus				
		Inducement	Result	Enforcement	Result	Assessment	Result	Management	Result
Enterprise	Mandating compliance officers to provide incentives	●	Developing guidelines for punishing compliers	●	Auditing the compliance function Using self-reporting	●	Preventing non-compliance	●	●
	Funding compliance-unrelated expenses	●	Rejecting the project deliverable	●	Using IT-systems for storing and managing auditable information	●	Providing assistance	●	
									Providing political support for other initiatives
	Celebrating successes	●	Offering formal rewards	●	Manually assessing compliance	●	Selecting compatible and knowledgeable employees	●	
									Offering social rewards
	Offering professional rewards	●	Imposing social penalties	●	Providing an agreement	●	Employing social psychological mechanisms	●	
									Individual
	Offering professional rewards	●	Imposing social penalties	●	Providing organizational support	●	Signing an agreement	●	
									Offering professional rewards
Offering professional rewards	●	Imposing social penalties	●	Providing organizational support	●	Signing an agreement	●		
								Offering professional rewards	●
Offering professional rewards	●	Imposing social penalties	●	Providing organizational support	●	Signing an agreement	●		

The global compliance of the Company A, as it is before merging, has been considered effective because each country can formulate their Standard Operating Procedure (SOP) to fit each regional environment. This means the company has to observe the law or legal procedures, and ethical norms and culture of that country before writing out the company's compliance. A global company provides one compliance officer (CO) to be locally placed at every location around the world. This helps the staff members working comfortably to comply, to reach their goal and to form business integrity. Every compliance officer is directly under the global CEO and the global compliance team to ensure that business benefit of a local company can achieve the global standard.

However, when implemented during the merging period, the once effective compliance seems to exclude the business unit A-3, animal health products so the compliance is difficult to comply.

5.1 SOP for Animal Health Products

Company A has realized that the major problem of its Company after merging is a lack of the Compliance which covers 3 business units of the Company. Presently, the compliance covers only 2 business units but to revise the Company Compliance is not possible without the SOP, which will be the guidelines for the compliance covering the animal health products. The company, thus, appointed a committee to write the SOP for the A-3 business unit. This task has been assigned to the management team managers.

However, animal health products were quite new and unfamiliar with the original Company A's employees. So, the management major problem is the composing of the SOP for business unit A-3, which will be compulsory regulations for everyone in the unit to comply.

Nowadays, the SOP has not been finished. So, the employees working in the A-3 units are confused to come up with the marketing projects for the business process and business activity. Not knowing which project can be done or not really discourage employees in this unit. They all realize that they have to comply with the Company Compliance, which cannot be applicable to their marketing projects. At the same time they need to compete with other competitors. Eventually, there has been the delay in business environment.

5.2 Compliance Committee Work Load

One striking issue from the study showed that without any incentive there was a problem of working overtime without pay especially for those who had to compose the SOP for A-3 while keeping their daily responsibilities going on without any interruption.

The committee members feel that writing down the SOP becomes a burden on top of their daily responsibilities so they need the compensation or the company should get an outsource to carry on this task under the supervision of the committee members. And from the interview, both the CO and the committee members agree on the same ground that during this integration, outside help is needed.

The committees explain that they are not good at writing SOP dimension, they know the business process and their working field but they don't understand the dimension of SOP composing with cross functional work or the whole SOP should be. Work loaded may effect to SOP composing. They are not professional in writing SOP, they are not understand company compliance in SOP view and interpreted. They quite worried about the SOP launching problem next year.

Composing SOP should be an urgent task but somehow the deadline for the new SOP kept postponing. The old Compliance of Company A had been used not covering all the three business units; therefore, a lot of misunderstandings and implementation problems occurred.

5.3 Misjudgment by employees

To consider any case, legal procedure comes first, then the company compliance. There was once a case which did not compile; however, the employees had the intention of pleasing to the long-term customers by taking them for a trip abroad. A severe punishment of firing that employee was enforced. But for a case in a grey area, the consideration depends heavily on compliance experience for cases. So it brings into the question if it is under a different CO, the final consideration could be different or not. In addition, 2 respondents from Collective Level suggest that there should be sample cases of both compliance and non-compliance for discussion among employees and if possible and preferable with the presence of the CO. For the management, only online-training is not enough at the manager level in dimension of business process. Many

projects viewed as customer commitment may lead them into risky areas of non-compliance. Moreover, they need to set examples for their subordinate to follow in order to comply with the compliance. They need a tool to equip these level employees with more understanding of the well-rounded cases for compliance.

Two respondents were so concerned with the project in the grey area because they did not want to violate the compliance or any regulations but since the SOP at the former company allowed some activities which were considered as grey at the Company A, they did not feel comfortable. The respondents from both the committee members and the collective level emphasized on the same issue that, “What is needed most is the marketing strategy complying with law and compliance while at the same time able to compete in the market.”

5.4 Trade-off between compliance and profit

The 2 respondents from the collective level and one committee member agreed that it was their duty to work under the compliance and must be concerned with business competition while balancing the business revenue as well. Compliance may have an impact on their project or sales promotion especially when customers compare their service with competitors. Competitors become key factors to induce employees to try to overlook the compliance. Customers buy products based on brand value and product quality. In pharmaceutical business, there are so many generic products which have been launched in the market so the service and technical support from the company are to be compared. Customers' satisfaction from the service of the sales representatives, thus, becomes the main concern for compliance for the Thai FDA (Food and drug administration) personnel. Personnel of the Collective level need to clarify their sales representative service that it complied with the compliance and at the same time could compete in the market. Some issues which at one time were implemented under Company B complied with Company B's SOP, but at this particular time, it turned out to be unaccepted as non-compliance. The conflict occurred. In some cases, when a project is legally accepted; however, it does not comply, investigation for possible bribery will take place. And warning or punishment would follow.

5.5 Trade-off between compliance and local business tradition

Two respondents explain that legal activities but not complying with compliance affect business environment and reputation while competitors can do all the promotion freely because of not having any restrictions or compliance. Another grey area example is the Thai tradition of gift giving to make customers feel positive to the company. The price of the gift is not the question but the gift should look valuable to the customers. Providing the gimmick or premium to our customers is to remind them of our products aimed as a reminder of our products, and of increasing our sales volumes. Gimmicks are meant as marketing tools to help achieve these two objectives. However, the most suitable gimmick suggested by the CO is stationery or pens which can be used by a lot of people in the pet shops, clinics, or animal hospitals as office supply not belonging to anyone whereas customers usually receive the premiums from competitors, namely glasses, pillows and recently, the power banks. Most customers are not appreciated by the pens, and prefer to get the competitors' premium. Customers don't use the pen gift (gimmick) to remind the company brand and additionally, those pens cannot reach any objective as intended as positive image to the company, or as a product reminder or as a tool for sales volume increase.

For the CO, stationery as gift looks very professional and knowledgeable particularly pens which can be perceived as reliable gift for the company image. The CO believes that any other gift than pens would be considered as non-compliance. In fact, the company brand image, company reputation, and their product values have been built up through marketing activities. So, effective marketing strategies are crucial and should be very effectively competitive. A very conservative gimmick like giving pens as gifts should be reconsidered whether they would be competitive among other competitors who always create something new to keep up with advanced technology at all the time.

It is widely accepted that compliance can help protect the company reputation especially for the business transparency of management but the company has to weigh whether they want to promote business competition and take a risk in some areas which are legal but are considered grey which are needed to be interpreted. But mostly the CO, without any hesitation, decides that the project is non-compliance with an option

or options. If there is a new CO, interpretations of the projects and options generated may be different.

One respondent had the feeling that employees' initiation was not needed to come up with new projects. They might play safe doing nothing for fear that they may take risk in breaking the compliance. When a new project is rejected, the conservative norm will exercise its role. That is to say doing nothing is safer than trying to create something new, and being punished.



CHAPTER VI

CONCLUSIONS AND SUGGESTIONS

To conclude, the study showed that what matters most was the lack of new Company Compliance covering business of all units under Company A. Problems found in the study were from confused employees of not knowing what to follow—the original compliance which did not cover their business unit or applying the former SOP used at the former Company B. This is a case when there would be a merging of companies, but the revised company compliance was overlooked and was taken for granted that the compliance would be the same. The study methodology which was adapted from Foorthuis (2012) framework, the SOP should be ready for application at the management and the enterprise levels to prevent potential problems during the merging period. But since there was a lack of SOP, there have been some problems which effected the enforcement and inducement perspectives in all 3 levels of the company. Employees comply with compliance have no other alternative than securing their jobs in spite of no reward at the individual level. They do not want to lose their jobs. The conclusion and suggestions from the study will be presented as follows.

6.1 The Merging Period and Its Problems

The main problem after the merging is that the SOP composing for animal health business has not been finished and launched as compliance which can solve the others problems found in this study. It is obvious that among other things before merging, the company needs to review the company's compliance as it is referred to as business legal goal of the company. The integration of compliance in this case study, illustrates the unawareness of the parent company which is certain that any pharmaceutical products whether for human or animal should not have any difference. And thus, the compliance should not make any difference. So, there is a grey area during the SOP composing

period when working process is not clear to the employees who need to comply. Therefore, there is an increase in the employee's load of work, time and amending process.

Some employees are faced with the situations when they are not be sure that their projects are aligned with the compliance or not. Thus, screening check lists should be provided to solve this problem. Additionally, compliance judgment depends heavily on the experience and expertise of the CO so the parent company or the Global Company should have a core lists of compliance at a level to ease working process or routine projects. Local SOPs and updated compliance to align with new innovation and communication should be revised periodically. And the Compliance Officer must provide a clear direction on any projects which may lead to unethical behaviors. It is widely accepted that generating sensitive and legal options requires experience and expertise in order not to ruin the company reputation because companies that deploy dishonest or risk tactics may develop a poor reputation among current and perspective clients and business partners (Cialdini, Petrova and Goldstein, 2004). Guidelines for gift giving, holding parties, and payment to outsource as third party should be outlined to prevent risk of bribery (Donaldson, 1996).

The Company A's SOP concerning the animal health product has not been finished; as a result, there might be some grey area for the employees to comply so the CO was an absolute decision. The most important effect is that Unit A-3 employees hesitate to initiate any project or to deal business process with customers. The clear SOP and directions of CO can maximize the initiation of employees. Every employee needs to secure his or her job so complying with the company rules, regulations, and compliance is a must for all as mentioned in the study of Schawartz (2001). Cialdini, et al. (2004) suggest that strictly rules are supposed to help control those who get involved but at the same time this may lead to the feeling of lacking freedom and working in an uncomfortable environment, which likely leads to rule violations.

6.2 Formal Seminars at Various Levels

To have an effective compliance, there should be steps to take.

6.2.1 Formal Seminar to get to know the A-3 business unit

A formal seminar for the participants to get to know the nature of A-3 business unit which is different from those of the other 2 units is urgently needed so that those who have to get involved in the SOP drafting and eventually the compliance for the three units should share the same ground of understanding of the details at the seminar. It is suggested that all unit and department managers and the CO attend this seminar. Especially the committee members to compose, to enforce the compliance should share their ideas and should have their real understanding of the new business unit including success stories and obstacles with the main issue of the unique marketing approaches of the animal products. There should be detailed information as guidelines for SOP composing committee.

6.2.2 The Deadline for the Launch of the A-3 SOP

Deadline for the launch of the finished SOP for A-3 business unit has to be fixed. As it is without the new SOP during the merging process, the employees in this unit have to face multiple problems—being transferred from the former Company B to the new environment, doing the same business but with new regulations, new process, new procedure, getting to know new colleagues, new supervisors, they obviously have to encounter confusion, problems, and no clear direction to run A-3 business. As for the management, with the work load of daily responsibilities and the additional task of composing the SOP, the committee members responsible for such a composition are working overtime without any additional pay or any incentives only with good intention of building brand image.

The composing and revising compliance may not consume much time if a company provide a new assistant to the composing committee since every member on the committee is having a lot of work load for the daily responsibilities. The CO has to work alone without any team mate or anyone under her. This assistant can reduce the CO and Committee workload and can aggregate the cross functional tasks to be complied

with global compliance. The new assistant can help the CO, the committee and other employees to meet the deadline.

6.2.3 Formal Seminar on the Company Compliance

Everyone needs to comply. This is the rule all employees have to observe. Once the new SOP is ready for implementation, there should be a formal seminar for everyone including the CO to attend. Comments should be welcome for amendment. This can ensure that the new compliance will cover all business units under the Company A.

The new Compliance must be scrutinized, discussed and commented. By so doing, everyone will have the same ground of understanding all the details of the Compliance. Cases and scenarios for compliance will also be exemplified. Non-compliance cases will also be explained with options to take. At the same time each option can also be analyzed so that those employees who will possibly get involved will a clear understanding of the compliance and also the CO in particular.

6.2.4 Formal Seminar for the Collective Level

Employees at the Collective level lead the business functions of a company. So, the Collective level employees need to understand thoroughly the company compliance—what to comply and what not to because they are the key persons to drive the business functions. However, to achieve the business goal, there are factors to be considered besides law, regulations and compliance. Business tradition and the company benefit should be weighed as well. All levels including the enterprise level, the higher management level and the collective level should discuss the compliance issues that affect the sales target or customer satisfaction. The CO need to understand all the details of the business functions with particular intentions of so doing so that the CO will understand the detailed business processes. With clear understanding, the CO can provide useful suggestions to managers. At the seminar sessions, the CO and participants can discuss in detail of project creation, criteria and feasible ways to comply and achieve the business goal. The managers will have clear directions to do the business activities. All employees want to comply with company compliance because of security of their job.

6.3 Training Approaches

The dissemination of the new compliance has to be done in the Company. Compliance training for both the existing staff members and the new staff members are needed. The on-line training should be aligned with creating global connectivity for the global cooperation (Figliola, 2009) and with interaction when obstacles and/ or unclear perception occur. The country CO must provide successful and unfavorable projects as sample cases for each country to prevent the non-compliance issues at the management or manager level to prevent non-compliance issue. The CO should be considered as supposedly a member of the company so that employees who have doubt of the compliance can get direct feedback and comments with sound explanations rather than “non-compliance” and options.

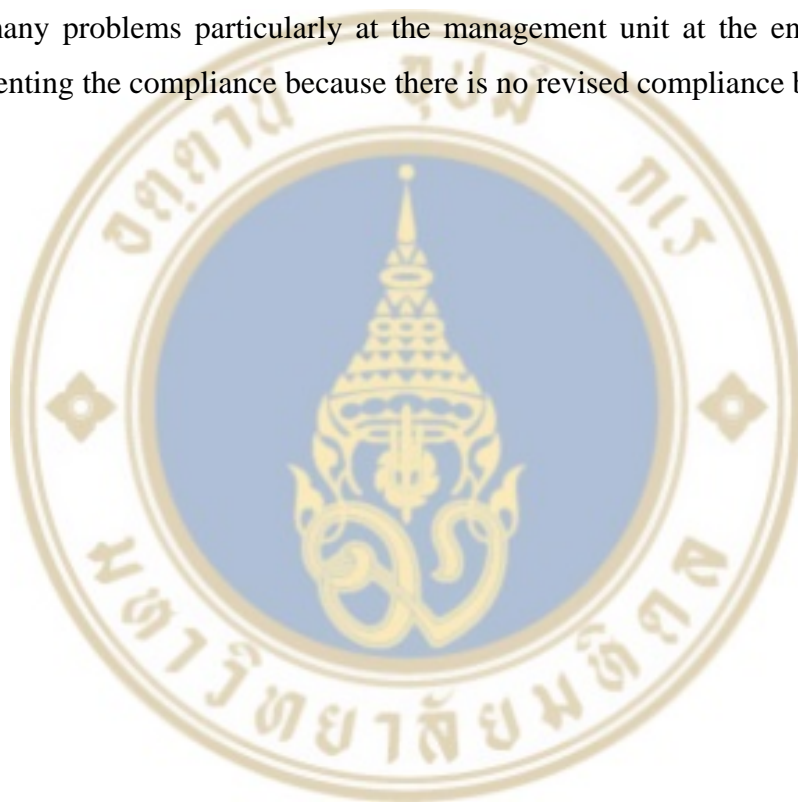
In addition to on-line training to the employees, the Company should provide all the employees with updated rules to refresh employees and later can be validated by the test. However, if for the on-line training system, it is the one way communication. There is no interaction so if any employee has any question or misunderstands any point; and there is no way to get back to the supervisor for any explanation. So there should be session where the CO or any supervisors participate in the seminar with the employees who try to comply to clarify the unclear issues. By so doing, the seminar will lead the employees to real understanding of both the compliance and the CO judgment and to comply with the SOP for more effective projects, efficient working process, and the company reputation.

6.4 Interaction or Two-way Communication within the Company

Another problem from the study is a lack of interaction and communication between the CO and employees. There seems to be a big gap between these groups particularly when employees feel insecure when the project presented is rejected with options but no other detailed explanation from the CO. This is due to the lack of understanding that the CO's responsibility as a consultant to the Company concerning the compliance is read for discussion if necessary. So everyone can seek assistance and explanation from the CO.

There are many things to be considered before the merging of any companies, and everything should not be overlooked particularly the compliance. For the Company A in this case study, it goes without saying that it is the right time for a new compliance covering three business units of the company to be launched for good working environment, for building up norm, and integrity, which may lead to loyalty as a supreme goal.

This study has shown that when two or more companies are to be merged, the revised compliance is needed before merging and that compliance has to cover all business units of the newly merged company. In the case study the Company A has faced many problems particularly at the management unit at the enterprise level of implementing the compliance because there is no revised compliance before merging.



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