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# Bank Management Compliance Strategies to Avoid Regulatory Sanctions

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College of Management and Technology

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Henry E. Akiotu

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Walden University
2022

Abstract

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by

Henry E. Akiotu

MBA, University of Dallas, 2011

BA, National College of Ireland, 2007

Doctoral Study Submitted in Partial Fulfillment

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Doctor of Business Administration

Walden University

December 2022

Abstract

Fines and penalties assessed against a bank for failure to comply with regulatory

sanctions result in loss of revenues and reputation. Bank managers who fail to implement

effective strategies to prevent sanctions compliance could experience reduced bank

profitability, reputational loss, and possible bank failure. Grounded in Goldratt's theory

of constraints, the purpose of this qualitative single case study was to explore compliance

strategies bank managers use to avoid regulatory sanctions. The participants were three

senior bank compliance managers from the Dallas, Texas, metropolitan area with a

minimum of 5 years of experience who have successfully implemented strategies to avoid

regulatory sanctions. Data were collected from semistructured interviews and public

documents from participants' bank and regulatory authority websites. Through thematic

analysis, three themes were identified: sanctions compliance policy and program, risk

assessment framework, and sanctions screening technology. A key recommendation for

bank management is to make sanctions compliance disclosure statements mandatory in

the bank's annual audited reports. The implications for positive social change include the

potential to positively impact the bank shareholder value, increase employment

opportunities in the banking sector, and contribute to the national gross domestic product.

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Dedication

I dedicate this doctoral study to God for providing me with the knowledge, resources, and good health to complete this doctoral journey. I also dedicate this to my wife, Mrs. Queen Akiotu, and to all my children who supported me, coped with the pressure I gave everyone, and exercised patience with me throughout this journey. I am thankful from the bottom of my heart. I also want to dedicate this doctoral study to the memory of my mother (the Late Mrs. Veronica Akiotu); although, no longer with us, predicted before she passed when I was 15 years of age that I would get to the highest level in the academic realm. I am also grateful to my extended family and friends, who always encouraged me and believed in me, even when I lacked the courage to press on. I hope my perseverance and determination, regardless of all life obstacles, will show everyone that you can succeed at anything you set out to do. This dissertation was an incredible journey, and I thank you all for the support, motivation, and encouragement to pursue my dream. God Bless.

Acknowledgments

I am grateful to everyone who supported and believed in me through this doctoral journey. Thanks to my wife Queen for the endless sacrifices to help me complete my studies. I thank my family and friends for your kind words and motivation throughout this journey. A special thanks to Dr. Michael Gottleib, my doctoral committee chair, for your support, guidance, and motivation throughout this journey. I want to acknowledge my second committee member, Dr. William Stokes, and the university research reviewer Dr. Annie Brown for your constructive and invaluable feedback that helped improve and raise my study's quality and content. I also want to thank all the participants who provided valuable insights and information to this study. Finally, I thank God for giving me strength, courage, and determination.

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Section 1: Foundation of the Study

The costs of regulatory sanction violations that can impact a bank's financial performance are substantial and growing. The cost of fines, forfeitures, and reputational damage sustained by banks for sanctions breaches ultimately falls on the shareholders and public (Hardouin, 2017). Sanctions represent a significant compliance challenge for banks and require an enhanced approach to develop strategies to prevent a catastrophic impact on a bank's bottom line.

## Background of the Problem

Banks may expose themselves to regulatory sanctions for failure to comply with coercive mechanisms by various government agencies. Rubin and Pollet (2018) identified multi-million dollar sanctions in the form of fines, restitution, and disgorgement that were imposed by the U.S. regulatory authority on banks that exhibited flawed detection systems and control failings. Regulatory agencies such as Financial Action Task Force (FATF) publish media statements to name and shame banks for violating sanctions imposed on designated persons and entities (Mugarura, 2017). Banks may be at risk for sanction penalties for not having robust compliance functions with strategies for managing compliance risks and dealing with a broad range of culpable conduct including money laundering, terrorist financing, and other criminal offenses (Meissner, 2018). A properly administered sanctions compliance program (SCP) may help reduce or prevent some of the significant financial losses that banks face on a regular basis. The purpose of this study was to ascertain the strategies that bank managers can implement to avoid regulatory sanctions.

**Problem Statement**

Bank regulatory violations lead to major financial enforcement action penalties for banks, negatively affecting shareholders value, wealth, trust, and confidence in the global financial system (Macartney & Calcagno, 2019). U.S. financial institution average civil monetary penalties and fines from the Office of Foreign Asset Control (OFAC) for violation of sanctions compliance obligations in 2019 amounted to $59 million (Early & Preble, 2020). The general business problem was that bank managers' noncompliance to regulatory obligations leads to excessive and preventable business costs that affect shareholder value. The specific business problem was that some bank managers lack compliance strategies to avoid regulatory sanctions.

**Purpose Statement**

The purpose of this qualitative explorative single case study was to explore compliance strategies bank managers in a particular bank use to avoid regulatory sanctions. The population for this study included three senior bank executives from one bank who have successfully managed compliance strategies in a corporate regulatory compliance office in the Dallas, Texas, metropolitan area. The implications for social change include the potential to influence bank business practices by developing sound ethical financial institutional cultures. Society benefits through confidence that social mores are reinforced that enable citizens to have faith and trust in the banking industry.

**Nature of the Study**

The qualitative methodology approach is the preferred research method for this proposed study. A qualitative method allows the researcher to use specific strategies to

understand some aspect of social life by generating words instead of numbers as data for analysis (McCusker & Gunaydin, 2015). A quantitative study uses concepts of hypotheses and statistical techniques (Hochbein & Smeaton, 2018). A mixed method study uses complex research questions to gather survey data and combine with qualitative data that can be time consuming (Olivier, 2017). I selected a qualitative method because of my interest in exploring strategies used by senior bank management by asking simple rather than complex research questions, and to collect data through explanations rather than test a hypothesis or apply statistical testing.

I used a single case study design for this study to explore the compliance strategies used by a small group of bank compliance managers to avoid regulatory sanctions. A case study design allows for an accurate evaluation of research procedural validity through convincingness rather than measures of the reliability, validity of data, and generalization of data (Alsharari & Al-Shboul, 2019). Other qualitative designs I considered include phenomenology and ethnography. The key element of a phenomenological study is to unravel the lived experience of people (Chang et al., 2016). Phenomenology was irrelevant as the purpose of this study was to explore managerial strategies, not lived experiences. An ethnographic study allows the researcher to focus on the observed behaviors of people within a particular culture to gain an understanding of that culture (Yin, 2014). Although ethnography might have offered insights into the research topic, ethnography was not preferred as the research purpose was narrower in understanding a specific practice within a business culture.

**Research Question**

The overarching research question for this study was the following: What compliance strategies do bank managers use to avoid regulatory sanctions?

**Interview Questions**

1. What strategies do you use that are most effective in your approach to avoid regulatory sanctions?

2. How frequently does your bank review its compliance programs and policies?

3. What is the impact of inadequate sanctions compliance in your bank?

4. What technology do you use to improve compliance programs in your bank?

5. What makes your compliance strategies effective?

6. How does your bank or institutional culture serve as an effective compliance strategy?

7. From your experience, what barriers prevent regulatory compliance strategies from being effective?

8. What other useful information would you like to provide about compliance programs that we might have not already addressed?

**Conceptual Framework**

The conceptual framework for this study will be the theory of constraints (TOC) that was developed by Goldratt in 1984 and introduced in the seminal book *The Goal: A Process of Ongoing Improvement* (Goldratt & Cox, 1984; see also Goldratt, 1992). The TOC helps managers find practical, effective solutions to business problems by identifying what to change, what to change to, and how to cause the change (Goldratt,

1990). Goldratt (1992) introduced the TOC to business professional to identify the constraint and focus managerial attention to increase performance using the five focus steps: (a) identify constraint, (b) decide how to exploit it, (c) subordinate all other operations to the necessity to exploit the constraint, (d) elevate constraint if more capacity is needed after second and third steps to meet demand, and (e) go back to Step 1, but do not let inertia become the system's constraint (Naor et al., 2013). These five steps are known as the process of ongoing improvement and can help organizations to cover operational and strategic level business activities (Wu et al., 2020).

The two principal components of the framework are a philosophy that depends on the working principle of ongoing improvement and a generic approach called the thinking process for investigating, analyzing, and finding answers to problems (Rahman, 1998). The purpose for the development of the TOC was to help people and organizations assess their problems, develop breakthrough solutions, and implement those solutions to cause significant improvements in both operational and financial performance (Mabin & Balderstone, 2003).

In the TOC, Goldratt maintained that efforts to improve a system depend on improving the weakest link in the system's chain (Dettmer, 1997). Related to my research, bank managers can (a) identify the restrictions that affect compliance programs and systems and cause mistakes in the process at an initial stage and (b) implement strategies to eliminate those limitations (Cox & Robinson, 2017).

**Operational Definitions**

*Coercive mechanisms*: Coercive mechanisms are formal and informal pressures applied to organizations by regulatory agencies that have statutory oversight authority (Rubin & Pollet, 2018).

*Compliance strategy*: Bank compliance strategy is policy aimed at a robust governance framework with defined lines of responsibility, effective risk management, and compliance process (O'Sullivan, 2017).

*Regulatory compliance*: Regulatory compliance is an inclusion of all processes that require a bank to be aware of and comply with relevant regulations (Mekpor et al., 2018).

*Fuzzy matching*: A varied algorithm-based technique to match a name (a string of words), used in computer-assisted translation to calculate the probability of various records and provide an improved ability to process word-based matching queries to find matching phrases or sentences from a database (S. P. Singh et al., 2021).

*Regulatory sanctions*: Regulatory sanctions are measures used by government agencies and intergovernmental organizations to administer and enforce economic and trade sanctions to exert pressure on a country, group, and entity or individual that has failed to comply with its obligations (Mugarura, 2017).

*Reputational damage*: Reputational damage refers to the harm done to the image of a bank because of lost public trust and confidence through the bank's association with illegal financial transactions and noncompliance with its regulatory obligations (Haslem et al., 2017).

**Assumptions, Limitations, and Delimitations**

**Assumptions**

Assumptions are factors beyond the researcher's control present in the study and their absence would invalidate the study (Simon, 2011). In this study, I assumed that selected participants had relevant experience and knowledge to provide sufficient information and achival data to answer the research question. Another assumption was that I, as the primary researcher, would add credibility to this type of qualitative study because of my level of experience and professional expertise in the banking profession. The final assumption was that respondents would respond honestly to the questions provided at the interview.

**Limitations**

Limitations are the possible weaknesses that affect the study findings (Simon & Goes, 2013). A limitation of this study was the lack of access to some archival data due to publication restriction of the information on the bank's website and considering that these participants were reluctant in sharing proprietary bank information due to confidentiality clause to maintain bank secrets. Such demand in field effort can lead to difficulty in accessing quantifiable information and data in a qualitative study, and its subjective nature may produce results of questionable validity (Trafimow, 2014). Another limitation of this study was the possibility of participants providing misleading information due to personal emotional and subjective bias (Diefenbach, 2009). I used follow-up questioning and member checking process to mitigate this limitation.

**Delimitations**

Simon and Goes (2013) stated that delimitations are those attributes that define the scope and map out the extent of the study. Qualitative research is restrictive in scope due to the researcher's role as a tool for subjective and personalized collection (McCusker & Gunaydin, 2015). The first delimitation of this study was the focus on data collection from senior management of banks and not other financial institutions such as insurance companies, money service businesses, or investment firms. A further delimitation was the inclusion of three senior bank management executives with direct responsibility of overseeing regulatory sanctions compliance within the bank. Another delimitation for this study was the selection of banks constrained to a geographic region in the south-central United States.

## Significance of the Study

Banks and financial institution senior management may leverage recommendations from this study to correct deficiencies in an organization's regulatory compliance obligations. Improved compliance processes may reduce the cost of sanctions violations. By using regulatory and compliance adherence practices, senior bank management may reduce operational compliance costs and add value to the bank's reputation (Armour et al., 2017). The use of modern technology-based compliance processes can improve bank risk management and benefit other business functions.

**Contribution to Business Practice**

This study's findings may contribute to business practices by sharing knowledge of strategies that might reduce or eliminate procedures that expose an organization to

fines from regulatory sanctions. Bank management could develop compliance standards for regulatory risk mediation to ensure they address the root causes of compliance issues and self-disclose in areas where the bank failed in its obligations (Moore, 2017). By managing a compliance culture with effective systems and processes to mitigate regulatory risks, senior bank managers might prioritize their actions on promoting growth in revenues and profits (Wilmarth, 2014). These compliance steps may minimize fines and penalties, increase shareholder value, and eliminate reputational damage.

**Implications for Social Change**

The study contributes to social change because of the focus on banks' social and fiduciary responsibility to individuals and businesses. Lui (2015) noted that banks are required to adopt a stakeholder-centered approach with effective risk controls. Regulatory sanctions can lead to reputational penalties and fines that can erode public confidence in an institution and the banking sector (Nguyen et al., 2016). The implementation of regulatory compliance strategies that ethically adhere to sanctions regulations to protect investors and shareholders may earn the trust of customers and the public (Schoen, 2017). A lower number of banks fined and penalized by regulators may give people and businesses a reason to be more confident in the banking institutions' stability and increase the confidence they will not suffer losses from sanctions imposed on banks.

**A Review of the Professional and Academic Literature**

The purpose of this literature review was to provide an exhaustive review of the literature about the relative conceptual frameworks that might inform this study and present academic research on regulatory sanctions on banks. I obtained and reviewed

materials from the Walden University Library. The databases searched included Business

Source Complete, EBSCO Host, Emerald Management Journals, Google Scholar,

ProQuest, and SAGE. I also used sources from academic, financial, government, and

OFAC websites for this review.

The information retrieved from these sources are peer-reviewed journal articles,

seminal texts, regulatory websites, and doctoral studies. The literature review contains

more than 85 current peer-reviewed journal articles, crosschecked with Ulrich's

Periodical Directory, 85% of which were published between 2017 and 2021. To support

the study, I concentrated on five key concepts related to business problems. The concepts

were (a) the TOC, (b) identification and application of constraints, (c) bank best practices

and regulatory sanctions, (d) tools to improve sanctions compliance, and (e) supporting

and alternative theories.

The purpose of this qualitative single case study was to explore compliance

strategies bank managers use to avoid regulatory sanctions. In the following subsections,

I first discuss the principles and limitations of the TOC while explaining how banks and

other financial services can benefit from using this theory. Secondly, I present the

conceptual framework and its application by bank management. I then present relevant

literature to include past applications and comment on gaps and weaknesses in the

literature on how banks can apply best sanctions compliance practices to prevent

regulatory sanctions and enforcement action from regulators. The literature review also

provides an explanation of technological tools that bank compliance leaders can use to

identify and prevent sanctions compliance breaches. Finally, I review supporting and contrasting theories to the TOC.

**The TOC**

I used the TOC philosophy developed by Dr. Eliyahu Goldratt (1990) as a framework for my research on bank management compliance strategies to avoid regulatory sanctions. The TOC focuses on the efficiency and performance of processes in an organization as a whole (Goldratt, 1990). The TOC was initially developed for manufacturing but adapted to address various business problems (Cox & Robinson, 2017). The TOC is now applied in organizations within the service sector, such as banking, to resolve the constraints that affect operational efficiency.

*Principles of the TOC*

Bank regulatory compliance leaders may benefit from understanding constraints that affect organizational goal attainment. TOC tools provide solutions to regulatory problems (Bauer et al., 2019). Organizational leaders can benefit from Goldratt's TOC to cause change by connecting five focusing steps with three basic questions about needed change. The five focus steps are (a) identify the constraint, (b) decide how to exploit it, (c) subordinate all other operations to the necessity to exploit the constraint, (d) elevate the constraint if more capacity is needed after the second and third steps to meet demand, and (e) go back to Step 1, but do not let inertia become the system's constraint. The three basic questions are (a) what to change, (b) what to change to, and (c) how to cause the change (Şimşit et al., 2014). Bank management should focus on innovation and understanding its key processes by applying the TOC to solve problems to further

survival in the global competitive market (Şimşit et al., 2014). Banks need specialized processes. By applying analytic investigative questions, the TOC tools may assist bank regulatory compliance managers to attain organizational goals.

The most important task for a service organization like a bank is serving its clients and accomplishing this goal by generating revenue. The principle of the TOC supports a process of continuous improvement to achieve organizational goals irrespective of where it is applied (Ikeziri et al., 2019). Bank leaders can increase efficiency within the banking system regulatory sanctions monitoring using the TOC as a managerial approach to find and focus on critical resources within the organization (Rhee et al., 2008). Regulatory compliance managers can employ the TOC tools to identify the root causes of missed regulatory compliance obligations and the adverse effects on the organization (Bauer et al., 2019). It is a basic premise within the literature on bank regulatory compliance that bank management should have robust systems and compliance culture, ensuring a financially stable organization that protects clients' investment.

The benefit of the TOC in the banking industry relates to how its application is beneficial in improving constraints in areas where it can have a significant impact on profit. Bank leaders can use the TOC to emphasize the possibility that actions taken in one business unit can have unexpected consequences in another (Kuruvilla, 2017). The TOC thinking process will help bank management identify, manage constraints, and drive change through continuous improvement (Kuruvilla, 2017). Bank leaders can use the TOC to show how the organization's unrelated problems are highly interconnected and originate from the exact single root cause (Lowalekar & Ravi, 2017). Regulatory

compliance managers can use the TOC to provide a framework that acts as an effective and efficient tool to address complex regulatory sanctions reporting.

The use of the TOC has helped organizations in their strategic decision making process. The TOC has evolved into a useful management tool and remediation process that has been applied in the strategic decision-making process to address various non-functional areas and increase efficiency across an organization (McCleskey, 2020). The resilience of the TOC has been proven over time for many years as a theory that continues to gain interest and brought about new ways of thinking across applications and organizations (McCleskey, 2020). Goldratt believed the root causes of organizational problems were better addressed by convergence where available information is narrowed down to the core issues rather than applying divergent thinking (Kuruvilla, 2017). The use of the TOC forces organizational leaders to use what they already have instead of spending money on new technologies and equipment. However, some limitations come from managing the TOC process towards an increased organizational bottom line.

*Limitations of the TOC*

Senior management's use of the TOC has shown its limitations as a theory or methodology that focuses much on how senior management resolves the constraint of increasing organizational profitability. The TOC has limitations despite evidence of success in its application to nearly every business sector. Limitations in the ability of the TOC to improve the organization's market performance and profitability continue to be identified (Sale & Sale, 2013). Bank leaders' ability to identify the system's constraints as the weakest connection within the business becomes recognized as the first step

towards an ongoing improvement process (Simsit et al., 2014). Business leaders who

seek quality and refinement in the overall organizational process may not appreciate the

use of the TOC as its focus is on one constraint at a time.

Business leaders have seen the benefit of focusing on one constraint at a time

because it required less financial and material resources than attacking all constraints at

once. It is crucial to consider the interdependence among departments in an organization

and the cost of attacking all constraints during operational improvement (Wu et al.,

2020). Some business leaders adopt the TOC rather than use interorganizational systems

to help organizations overcome ineffective management products to implement changes

successfully (Geri & Ahituv, 2008). A relevant knowledge gap still exists as to how TOC

tools impact operational competitiveness and how business leaders can apply the TOC to

change an organization's strategic direction (De Jesus Pacheco et al., 2020). Business

leaders can use the TOC as the means to unlock productivity and efficiency from

organizational constraints or bottlenecks.

Business leaders have not identified how the TOC can impact the main

competitive dimensions of an organization's operational strategy. The impact of the TOC

elements on changing the organization's strategic priorities is yet to be proven (De Jesus

Pacheco et al., 2020). However, business leaders should recognize the TOC as a broad

and fundamental concept that suggests improving the bottleneck using a higher priority

(Wu et al., 2020). The business leader often eliminates an identified constraint, but some

other system parts may show up as the following constraint. The TOC shows that

constraint itself is in a fluid stage, and when the constraint gets eliminated, another

constraint appears (Kiran, 2019). Business leaders' emphasis on the TOC should be how to void the system's bottleneck because it is the most significant advantage of the TOC (Vendemia, 2018). Business leaders in service organizations, which include banks, can address constraints identified in policies, procedures, and guidelines by applying the TOC to see its impact on an organization's strategy for competitiveness in the market.

Business leaders of financial institutions should consider strategies to ensure employees comply with organizational policies and guidelines. TOC tools help formulate strategies that will help eliminate system failures while providing avenues to take immediate corrective actions to reduce the impact of existing process failures (Dalci & Kosan, 2012). Researchers have identified internal constraints that can arise from a manager's direct attitude or policies, preventing the management from identifying main issues (Kiran, 2019). Business leaders can use TOC tools to plan and execute required tasks by removing existing behavioral standards that could be a stumbling block to achieve organizational goals and objectives (Izmailov et al., 2016). Regulatory compliance leaders should be aware of their employees' inefficiencies from lack of compliance to policies, commonly found, and compromise other constraints within an organization.

### *Bank Business Management and Performance*

Senior management of banks should understand the effectiveness of applying the TOC in business processes. The TOC can help management identify solutions to organizations current business process bottlenecks through logical thinking process (Rentes et al., 2019). Improving the bank business process requires a comprehensive

review of organizational strategies and policies (Kir & Erdogan, 2021). In addition to using available resources and knowledge, bank managers need to enhance their information technology capabilities to improve process performance and comply with its regulatory obligations (Ongena & Ravesteyn, 2019). Managing business processes and performance for operational efficiency requires bank management to have systems and technologies in place that are responsive to the challenges of changing regulations (Kir & Erdogan, 2021). Bank leader's use of the TOC as a tool to optimize an individual system process should realize that this may not increase the overall process's efficiency and performance.

Bank senior leaders use corporate controls as essential tools to enhance financial performance. However, it is crucial to have strategic controls to mitigate the risk affecting bank market shares due to regulatory sanctions (Seifzadeh & Rowe, 2019). A strategic constraint is a constraint that can affect the overall market environment where the organization operates (Spector, 2011). The bank's performance and success depends on its compliance with regulations in its operational environment (Ongena & Ravesteyn, 2019). Bank management needs to have adequate strategies to manage its business model, which can be managing a constraint that prevents it from complying with regulatory obligations and putting the firm in a complacent position (Spector, 2011). Bank compliance managers should have adequate controls within the organization's operational processes to prevent lapses that could lead to regulatory sanctions.

Bank leaders can improve business operations by applying the TOC. Managers can avoid regulatory fines and sanctions, which have proven to improve business unit

performance (Sale & Sale, 2013). For example, bank managers can apply the TOC to analyze bottlenecks in processes that lead to regulatory sanctions (Rentes et al., 2019). The use of the TOC as a practical approach helps to identify the weakest links or constraints in the operational process rather than waste resources to strengthen the overall process (Naor & Coman, 2017). Organizations can experience efficiency in their regulatory reporting process when TOC steps to manage constraints are adhered to and adequately executed (Naor & Coman, 2017). The use of TOC by bank managers can improve a less effective reporting process, resulting in improved key performance metrics.

Bank senior leaders may find that increasing overall system efficiency to comply with regulatory sanctions requires using the five TOC focus steps. This action, known as the process of ongoing improvement, helps with operational and strategic level planning (Wu et al., 2020). Organizations like banks with multiple branches and subsidiaries require internal corporate control systems that are uniform across the organization (Re-aligning performance measures, 2019). The bank's management can achieve a long-term competitive advantage through automation and technologies that monitor business processes (Van Looy & Van den Bergh, 2017). By implementing the process of ongoing improvement, bank senior leaders can concentrate on improving performance and enhance efficiency in the overall process.

**The Identification and Application of Constraints**

Business leaders and senior management may have a different understanding of using the TOC to identify and manage constraints to improve operational efficiency. The

first of the five focus steps in Goldratt's TOC for business managers to increase

organizational performance is identifying constraints (Goldratt, 1992). Researchers have

noted that identifying the constraint is the first step in the TOC methodology (Goldratt,

1992; Sims & Wan, 2017). The identified need or requirement should guide leaders' use

of the TOC like any other tool or information it should address (Izmailov, 2014).

Practitioners have identified an established methodology like the TOC to improve

systems and process enhancements through policies and practice (Sims & Wan, 2017).

Business leaders can apply the TOC thinking process tools to answer the first two

fundamental questions of what to change and what to change to (Reid & Cormier, 2003).

Researchers have identified the TOC as a scientific approach that focuses on system

constraints while applying a step-by-step approach to eliminate the system's constraint

(Upreti et al., 2019). The application of the concept of the TOC could help organizational

leaders address constraints that they face, which limit their ability to perform at a higher

level of excellence.

### Bank Management Identification and Application of the TOC

Bank managers can access and enhance the efficiency of their business

operational systems by identifying strategic objectives. Organizational leaders have

applied the five-step process of the TOC successfully within the service sector industry to

include banking organizations (Upreti et al., 2019). Business leaders can use the five

steps to improve organizational deliverables to align with management's expectations of

functioning control points (Reid, 2007). Researchers have identified methods to apply the

TOC's thinking process to identify and mitigate the effect of core constraints causing

undesirable performances and limited results in business processes (Modi et al., 2018).

Bank leaders need to identify and improve the processes that display the weakest link in

the organizational output system (Taylor & Asthana, 2016). Bank leaders should

emphasize the need to focus on the processes that limit systems' performance relative to

the organization's goals and objectives.

The focus of bank leaders on improving operational performance will provide an

avenue to respond to business environment challenges and comply with regulatory

obligations. Bank leaders need to determine and eliminate an identified core problem;

however, this core problem's symptoms could have already produced adverse effects

within the organizational process (Taylor & Cox, 2016). Identification of business

process constraints through the TOC application is helpful as a starting point to identify

several adverse outcomes within the organizational process (Aguilar-Escobar et al.,

2016). Bank leaders should apply the TOC to address complex problems or situations

because it addresses the main critical issue that requires urgent attention (Monteiro,

2020). Researchers have validated that the generalization of the TOC makes it

challenging to apply the process in the services industry where final products are

dependent on other variables (Pérez Campdesuñer et al., 2017). Bank managers should

address identified constraints to reduce operating expenses and increase the rate of

effective and efficient revenue generation for banks' services to boost overall investment

return.

*The Business Case for Compliance Strategies to Avoid Regulatory Sanctions*

Bank managers should have robust controls to prevent the organization from sustaining substantial monetary penalties for non-compliance with regulatory sanctions. Compliance officers must adhere to and fulfill legal, regulatory compliance requirements (Teichmann, 2020). Bank managers should lead efforts through relevant training to ensure that regulatory authorities' concerns on compliance officers' skills to mitigate financial crime risks through sanctions compliance are prioritized (Menz, 2019). At the senior management level, chief executive officers of banks are responsible for strict anti-money laundering (AML) compliance, and that risk assessment policies exist (Naheem, 2017). Regulators must set a clear tone to ensure banks are held accountable for significant lapses in their AML compliance controls and cannot claim protection for the law's misunderstanding (Leighton-Daly, 2017). The need for bank managers to ensure they have an effective compliance procedure and control system is evident by the recent enforcement actions against various banks by the OFAC.

Bank managers should be fully responsible for ensuring the business has healthy financial crime compliance controls to improve financial risk management. Bank leaders need to incorporate healthy compliance controls to mitigate regulatory risks and ensure these processes are specifically enforced (Leighton-Daly, 2017). Bank leaders' adherence to sanctions compliance regulations is crucial to help national and jurisdictional regulators, FATF, and World Bank in their collaborative efforts to address organized financial crime and money laundering by terrorist organizations (Keith, 2018). Government regulatory agencies impose directives and regulatory obligations on banks as

principal gatekeepers to strictly abide by AML and sanctions regulations (Mugarura, 2016). Banks that self-identify and voluntarily disclose the breaches in their sanctions monitoring regulatory obligations sometimes get a minor penalty and fine accessed against them when evidence exists of the bank's remediation efforts.

Regulatory agencies have regulations to ensure formal compliance by banks, including strict enforcement to prevent AML and related financial crimes. Bank managers and employees may be liable to a significant penalty, criminal and civil liability when they fall short to meet their regulatory obligations under various regulations (Halloran, 2019). Penalties for noncompliance with regulations can be severe for compliance managers. For example, the United States Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) issued the largest penalty FinCEN imposed on an individual. MoneyGram International Inc.'s ex-chief compliance officer was fined $250,000 in 2017 to settle alleged AML compliance violations (Greene et al., 2017). Banks and financial services management should ensure their business model have a robust money laundering risk assessment coupled with an effective suspicious transaction monitoring and reporting system (Naheem, 2017). Compliance officers and money laundering reporting officers in their risk-based approach toward the organization's AML obligations should ensure they constantly assess risks by conducting annual risk assessments of the organization (Haffke, 2022). Banks can avoid fines and penalties from regulators when they have a strong and robust sanctions compliance monitoring process that incorporates the risk of jurisdictions and entities that banks conduct business.

Bank managers may benefit from determining and conducting a risk assessment of the organization's sanctions compliance process as businesses navigate a shifting regulatory environment before taking steps to incorporate those risks into its SCP. The provisions of the Bank Secrecy Act (BSA) and its implementing regulations require banks to develop and maintain internal policies and procedures to ensure compliance with the BSA (Levin et al., 2018). Bank compliance officers require training by taking the criminals' perspectives into account in addition to the legal requirements and prevention mechanisms (Teichmann, 2020). Researchers have suggested that bank managers should conduct regular testing to identify gaps in compliance programs and identify any potential problems not yet uncovered (Levin et al., 2018). Bank managers should ensure they have a rigorous process that outlines OFAC's compliance expectations and an avenue to mitigate any risk of unintentional violations of U.S. sanctions regulations.

**Bank Best Practices and Regulatory Sanctions**

The bank manager's lack of oversight to ensure a stringent compliance policy that incorporates OFAC's requirement makes the organization vulnerable to protect its reputation and avoid costly enforcement actions. OFAC provides guidance that requires banks subject to U.S. jurisdiction to use a risk-based approach in developing, implementing, and periodically update their SCP (DeMarco & Mason, 2019). FATF requires organizations to establish a framework for the realization of a risk-based approach in every "risk" scenario in their AML/CFT business model and on an on-going basis (Henning & Hauman, 2017). Many violating financial institutions respond to regulatory sanctions to uphold their reputation and legitimacy rather than maintaining a

culture of compliance within the industry (Burdon & Sorour, 2020). Records of various AML enforcement actions and OFAC economic sanction violations issued between 2000 to 2018 show the negative impact of the civil money penalty (CMP) on a bank's shareholder value (Gowin et al., 2020). Apparent ignorance of the law does not shield any individual or bank that violates OFAC's sanctions program. It is crucial for bank managers to monitor the unexpected changes in OFAC's regulatory developments in response to U.S. foreign policy affairs and be ready to respond swiftly and appropriately.

### Risk of Regulatory Sanctions and Enforcement in Banks

An effective compliance program and robust control against financial crime help banks avoid fury from regulators through fines and disciplinary actions. The loss to a bank's reputation through enforcement actions is nearly nine times the size of fines and is associated with misconduct affecting customers and investors (Armour et al., 2017). OFAC reported record penalties imposed against ING Bank N.V for apparent sanctions violations that resulted in the most fines recorded in 2012; a total of $661 million (Early & Preble, 2020). Regulatory supervisory enforcement actions (EAs) accessed against banks affect their small business borrowers due to credit contractions and constraints (Roman, 2020). The difference in various bank operating models calls for a unique compliance program to assess the type of business risk the bank faces. OFAC may determine the egregious nature of a case after considering the presence of an effective SCP at the time of the violation.

OFAC expects banks to proactively identify sanctions risks that apply to their type of business through the conduct of formal enterprise-wide or product-specific risk

assessments. Recent surveys have highlighted the difficulty and care involved in developing and monitoring alignment with an organization's risk appetite due to its uniqueness (Fiol & Guinan, 2017). An organization's risk assessment should consider the leading causes of any apparent violations or systemic deficiencies identified during business (DeMarco & Mason, 2019). Reports provided by risk boards have noted that misconduct risks and an increasing number of financial penalties against banks could increase public skepticism about banks' business model and overall solvency (Köster & Pelster, 2017). Changes to the bank's business model can create considerable compliance risks due to introducing new products, services, and technology requiring integration into its compliance program. A strong and effective sanctions compliance screening program should be resilient to changes when they happen.

OFAC has identified the absence of a formal SCP as an underlying reason for many OFAC violations by banks. Supervisory enforcement actions like CMP taken against banks for violations have resulted in a decline in banks' asset quality (Danisewicz et al., 2018). Bank managers should ensure that an updated list of blacklisted countries and entities are infused into their commercial compliance risk software program to prevent any transactional dealings (Mugarura, 2017). The provision of a comprehensive view of sanctions compliance in a single program document can provide managers with a clearer understanding of the consequences of non-compliance (Allen & Koshima, 2018). Many OFAC enforcement cases can relate to banks that failed to understand OFAC rules' application to their business or activities. The availability of a well-documented SCP will alleviate the burden of non-compliance to regulatory requirements.

Bank leaders are encouraged to have an effective SCP even though it is not a legal requirement as violations of any OFAC rule or guidance can result in potential liability and reputational damage. Reputational sanctions are negatively and considerably associated with an organization's market size (Armour et al., 2017). Regulatory authorities also employ criminal penalties and restitution as a powerful tool to sanction organizations and individuals to provide relief to impacted customers (Rubin & Pollet, 2017). Organizations should ensure that the systemic risk attached to financial institutions is also attached to bank management, managers, and employees to prevent restricted liabilities regarding sanctions violations (Hardouin, 2017). Allowing for administrative sanctions by regulatory agencies to address negligent behavior could provide a strong incentive for bank managers and officers to exercise due care in the discharge of their duties (Schooner, 2017). Senior compliance leaders must follow the detailed and prescriptive guidance provided by OFAC on what it considers a robust compliance program that can help the banks mitigate the continually changing requirements of avoiding blacklisted entities & individuals.

### *Sanctions Compliance Requirements*

The compliance manager must ensure that the bank conducts its business with integrity, including complying with applicable laws, sanctions regulations, and standards in the jurisdiction and industry they are licensed to operate. Past banking regulations consist of a preference for codified rules, which tend to be technically complex (Arch, 2020). OFAC's guidance provided to banks contains a framework of essential components required in a risk based SCP (DeMarco & Mason, 2019). Organizations

should ensure that they are not ultraproactive by overcomplying or choosing a strategy of

minimal effort to achieve regulatory compliance standards (Burdon & Sorour, 2020).

Alternative compliance mechanisms like travel embargos should be put in place by

regulatory authorities to ensure that financial sanctions against individuals are effective

(Teichmann, 2020b). However, the success of sanctions regulations and compliance

framework depends on the banks' ability to detect sanctions breaching activity in their

books. Banks have an obligatory responsibility to implement sanctions and avoid being

fined for not having an adequate SCP.

Bank managers should ensure a written, documented SCP and internal controls

system that ensures that program is active and in use. Bank managers and employees are

required to identify red flags in transactions that trigger suspicion and file a suspicious

activity report with appropriate regulatory authorities (Norton, 2018). The Bank of China,

New York branch was fined $12.5 million by the Office of the Comptroller of the

Currency (OCC) for failure to adopt and implement a compliance program that

adequately covered the requirements of OFAC and failed to file suspicious activity

reports related to suspicious customer activity (OCC, 2018). The U.S. Justice Department

(DOJ) entered into a deferred prosecution agreement (DPA) with the Industrial bank of

Korea to pay a fine of $51 million for willfully failing to maintain an adequate AML

compliance program (DOJ, 2020). The presence of a compliance program can be a

mitigating factor in an OFAC sanctions enforcement action against a bank, as shown in

Table 1. However, the lack of effective SCP is a critical reason regulatory authorities may

assess more substantial fines and severe penalties.

OFAC administers hefty monetary penalties on banks that undermine OFAC's sanctions as a powerful and valuable tool against individuals and entities that threaten national security, foreign policy, or the economy. Applying restrictive financial course of sanction actions have proven to be more effective than those that are strictly trade related (Stout, 2017). OFAC fined England-based Standard Chartered Bank $657 million for apparent violations of multiple sanctions programs and regulations (OFAC, 2019a). JP Morgan Chase Bank paid a $5.2 million monetary penalty issued by OFAC to settle potential violations of sanctions against Cuba, Iran, and the proliferation of weapons of mass destruction (OFAC, 2018).

**Table 1**

*Annual Enforcement Actions Announced by OFAC, 2011-2020*

| Year | Aggregate number of penalties or settlements |
|------|-----------------------------------------------|
| 2011 | 21 |
| 2012 | 16 |
| 2013 | 27 |
| 2014 | 22 |
| 2015 | 15 |
| 2016 | 9 |
| 2017 | 16 |
| 2018 | 7 |
| 2019 | 26 |
| 2020 | 16 |
| Total | 175 |

*Note.* From 2011-2020 *OFAC Civil Penalties Information Chart,* OFAC Enforcement Information, 2020 (https://home.treasury.gov/policy-issues/financial-sanctions/civil-penalties-and-enforcement-information). In the public domain

JP Morgan Chase Bank paid a $5.2 million monetary penalty issued by OFAC to settle potential violations of sanctions against Cuba, Iran, and the proliferation of weapons of mass destruction (OFAC, 2018). A $4 million civil penalty was assessed

against the United Kingdom based British Arab Commercial Bank Plc to resolve 72

apparent violations of the Sudanese sanctions regulations between September 2010 and

August 2014 (OFAC, 2019b). In addition to monetary penalties, as shown in Table 2, the

failure to prevent sanctions violations can also lead to irreversible damage to a bank's

financial and reputational integrity and possible withdrawal of a banking license. Banks

should ensure they have an effective sanctions program and internal control strategies to

address sanctions regulations' regulatory and operational challenges.

**Table 2**

*Annual Monetary Penalties or Settlements Announced by OFAC, 2011-2020*

| Year | Total penalties or settlements |
|---|---|
| 2011 | $91,650,055 |
| 2012 | $1,139,158,727 |
| 2013 | $137,075,560 |
| 2014 | $1,205,225,807 |
| 2015 | $599,705,997 |
| 2016 | $21,609,315 |
| 2017 | $119,527,845 |
| 2018 | $71,510,561 |
| 2019 | $1,289,027,059 |
| 2020 | $23,565,657 |
| Total | $4,698,056,583 |

*Note*. From 2011-2020 *OFAC Civil Penalties Information Chart,* OFAC Enforcement
Information, 2020 (https://home.treasury.gov/policy-issues/financial-sanctions/civil-
penalties-and-enforcement-information). In the public domain


Bank managers should reference OFAC's published guidelines that provide

crucial elements of an effective sanctions program and identified key areas to mitigate the

risk of unintentional violations for any company that conducts business with a sanctioned

individual or entity. Shareholders and creditors can benefit from a company that complies

with regulatory requirements and has a stable internal control structure that reduces asset

loss risk (Lee, 2019). Banks and sanctioned financial institutions experience both direct

cost (financial penalty), and indirect cost (reputational loss) as a result of regulatory

enforcement actions against them found in the public domain (Pereira et al., 2019).

Sanctions and financial penalties may discourage banks from undertaking businesses

requiring enormous risk taking that are ultimately related to higher systemic risk

exposure (Köster & Pelster, 2018). An essential and beneficial process is performing

periodic reviews of customers' names against sanctioned lists to identify and manage risk

from a potential or existing relationship. The identification of indirect involvement of a

sanctioned individual or entity requires extra investigation and due diligence, and the use

of appropriate technological tools achieves this.

**Tools to Improve SCP**

Bank managers' use of a layered approach regarding AML technology is vital to

promote a more cost effective and efficient sanctions compliance approach that adds

value to the whole organizational process. Financial institutions now engage in machine

learning algorithms and methods to detect suspicious transactions and activities (Chen et

al., 2018). There is a renewed and emerging interest from both researchers and

practitioners regarding applying technological software tools to enhance the detection of

money laundering and sanctions compliance activities (K. Singh & Best, 2019). The use

of artificial intelligence (AI) techniques like predictive models can help to use customer

transactional data to predict the probability that a transaction is suspicious and reportable

(Hayble-Gomes, 2022). Financial institutions could benefit from the automation of its

risk assessment and methods required to identify, assess and take measures to mitigate

their money laundering/terrorist financing risks (Klimova et al., 2020). Some essential

tools identified that can assist banks to deliver a robust and improved SCP include the

following:

- name screening tools

- list provider

- transaction monitoring systems

- payment screening systems

- identity verification services

- customer relationship management tools (CRM)

- open-source intelligence tools

- automated customer and business risk scoring

- communication surveillance technologies (Böszörmenyi & Schweighofer, 2015; Chen et al., 2018)

Bank managers also need to ensure that these tools resonate in their daily

activities through governance, project planning, testing, training, and resources. It is vital

to take decisive actions and move swiftly to introduce new technologies if necessary to

mitigate any newly identified sanctions compliance gaps. AML sanctions compliance

technology in banks is essential to have an effective and efficient due diligence and

sanctions list monitoring process to prevent money earned from illegal activity from

entering into the banking industry. Otherwise, money laundering/terrorist financing

concerns that can be detrimental to organizations and the entire global financial system (see Figure 1).

***Technologies to Identify and Prevent Sanctions Compliance Breaches***

The use of technology is an essential aspect of how banks effectively manage AML sanctions compliance reviews conducted in their business. Bank managers should consider the fitness of their sanctions program's technology aspect in line with OFAC's framework to avoid or mitigate future penalties (Crabb, 2019). The availability of an effective technological solution is an essential element in the fight against AML and sanctions list monitoring (K. Singh & Best, 2019). Business intelligence technologies can be applied as part of the automation process to obtain indicators that will help access the quality of internal control policy implementation on AML/CFT in banking activities (Klimova et al., 2020). Advanced technologies that have fuzzy name matching capabilities for identifying alternative spellings of sanctioned parties' names can prevent the failure of sanctioned names screening (Chen et al., 2018). Some banks get overburdened by outdated legacy technology and systems that are hard to replace and present a challenge to implement comprehensive screening technologies with such systems.

**Figure 1**

*Alignment of Money Laundering and Terrorist Financing*
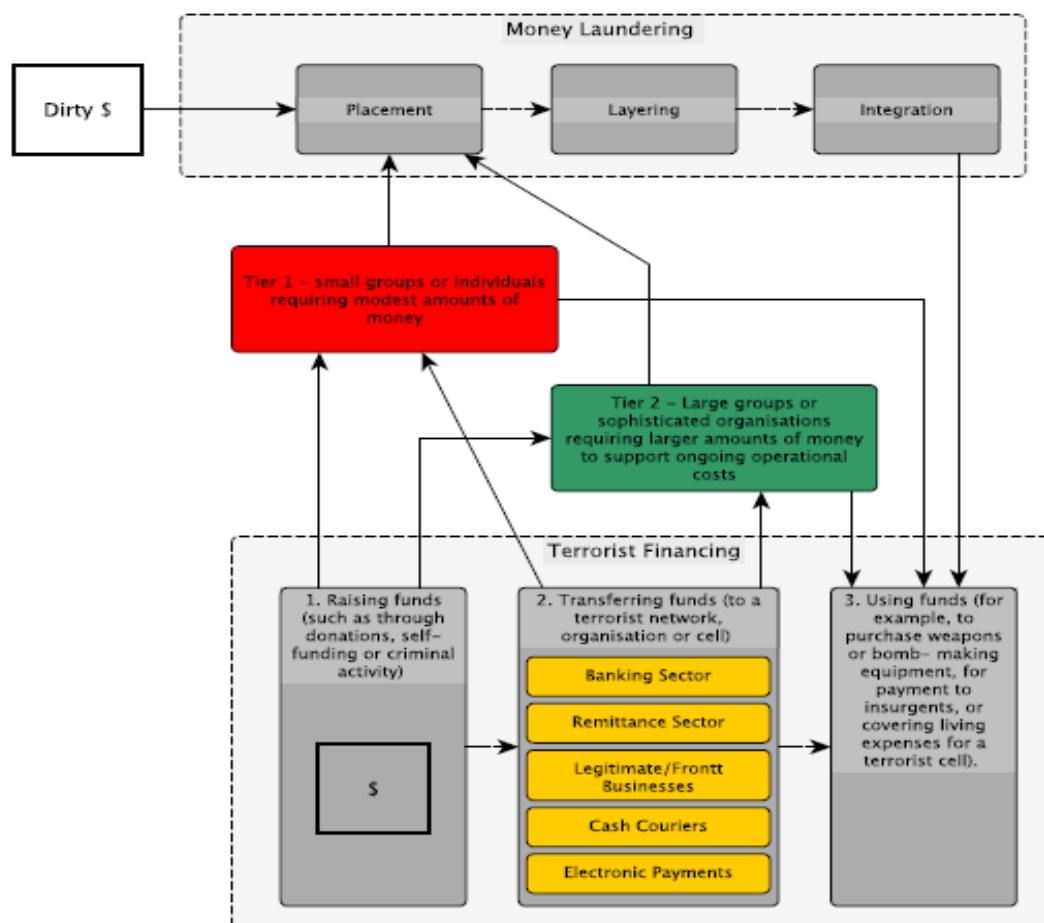


*Note*. From "Examining the Practical Viability of Internationally Recognised Standards in Preventing the Movement of Money for the Purposes of Terrorism," by N. Gilmour, T. Hicks, and S. Dilloway, 2017, *Journal of Financial Crime*, *24*(2), p. 262 (https://doi.org/10.1108/jfc-04-2016-0027). Copyright 2021 by Emerald Publishing Limited. Reprinted with permission.

Bank leaders may find it beneficial to upgrade old automated and real time sanctions screening tools to more advanced, technologically driven systems that can complement existing tools. Banks must create a practical, technologically driven risk assessment for preventing and combating the risk of money laundering and terrorist financing (Lebid & Veits, 2020). Despite the central role technology plays in AML detection, technology monitoring in AML has not yet been theoretically or practically advanced (Demetis, 2018). As a custodian, the bank should consider various technological elements to address sanctions risk indicators while conducting due diligence on its account holders (Staehli, 2017). Bank managers should be conscious of the operational risks attached to manual sanctions list processing and the merit of new advanced technologies to achieve valuable compliance reviews.

Introducing new technologies can provide the organization with various opportunities to increase process and review efficiency without sacrificing the SCP's effectiveness. Banks use real positive rate AML technology as a critical metric in AML decision making to improve and justify their compliance efforts against regulatory audits on AML technology (Demetis, 2018). Applying a multifaceted operational and technological approach to financial crime is achievable considering the similarities between sanctions evasion and other crime methodologies (Scott, 2019). Infusing technology solutions into the bank's internal controls yields positive results while calibrating the solutions in a way that is suitable to address its risk profile and compliance needs (DeMarco & Mason, 2019). Banks can prevent violations and avoid excessive penalties when they have a properly documented compliance program backed up with an

effective screening technology. The use of technology tools to infuse policy and procedure documentation capabilities into the screening process to improve sanctions compliance reviews is rewarding to the organization in the long run.

Organizations face challenges with the increased sanctions regulations complexity that require sophisticated and advanced screening technologies to achieve effective sanctions compliance. It is essential for banks first to review the lifecycle of suspicious transactions reporting before putting the role of technology into perspective (Demetis, 2018). Filtering and technological monitoring tools are vital to the bank's protection of clients' data and compliance programs (Nottage, 2018). Bank leaders must articulate the organizational expectations for creativity by encouraging collaboration to solve problems (Tu et al., 2019). It is imperative to provide support and resources for effective sanctions compliance and enhance advanced technology to deliver that effective program. Before they become a significant issue, identifying and stopping problems by having an effective SCP backed up with modern technology can prevent the bank from being susceptible to significant sanctions penalties.

Implementing and effectively managing a sanctions screening system with fuzzy matching capability in a bank is vital to the success of a robust SCP. The detection of suspicious transactions within a bank can be time-consuming and challenging due to the large and non-uniform transactions processed per day, which gets resolved using auto-regressive outlier-based money laundering detection technology (Kannan & Somasundaram, 2017). As a result of the extensive data processed daily by banks, using a machine learning model can help prioritize the transactions that should be investigated

manually for potential money laundering and sanctions violation (Jullum et al., 2020). Chen et al. (2018) noted that using machine learning techniques could provide banks with a more cost-effective solution than relying on rule-based processes to identify suspicious transactions. Bank compliance managers must consider if the organization's various processes can support a higher level of tuning that results in an effective fuzzy logic matching outcome while managing its sanctions screening system.

Considering the large volume of unstructured data processed daily, banks should have a sanctions screening system with an investigation workflow to capture and review positive name hits generated. The use of data mining to collect large unstructured data can help banks understand the business processes through which money laundering occurs within the institution (Lokanan, 2019). The use of methodologies like neural networks and an abnormality indicator can help banks capture the typologies detailed in FATF reports and reduce the number of false positives for greater accuracy when compared to rule-based methodology (Rocha-Salazar et al., 2021). National regulators like OFAC require financial institutions to comply with the legal requirement of using modern and sophisticated surveillance software applications to collect and process a large amount of personal data to enhance name screening to prevent money laundering and terrorist financing (Böszörmenyi & Schweighofer, 2015). Bank compliance managers should ensure a regular and ongoing review of the sanctions screening software and system configuration for necessary improvement to current set matching rules and thresholds.

Bank compliance managers may recommend the application of screening software to cover an enormous scope of possible name matches from sanctions lists. The 24th recommendation of FATF requires regulatory authorities to ensure that financial institutions within their jurisdiction have an effective risk-sensitive monitoring system in place for compliance with money laundering and terrorism financing requirements (Omar & 'Amirah Johari, 2015). Data visualization can assist bank compliance managers in viewing transaction data for specific entities by using senses to virtually detect key defects and unusual transaction patterns (K. Singh & Best, 2019). Also, the use of a secure framework for AML architecture can help reduce false positives by monitoring transactions to find the problem and investigating financial transactions through sequential web services that confirm if the problem exists (Sobh, 2020). Implementing a specific sanctions screening monitoring tool may require its design in the framework that aligns with prior obligations.

Banks' technological tools should be reviewed regularly for proper calibration and tested to ensure they do not create more problems than their intended problem-solving purpose. As a result of the need for sophisticated AML models that delivers effectiveness, banks need AML and transaction monitoring systems that are fast and intelligent to identify complex suspicious transactions (He et al., 2021). Bank leaders are cognizant of the critical purpose of technology in transactions monitoring from the detection stage to the reporting stage and the investigation stage to prosecution to ensure compliance with AML requirements (Mekpor et al., 2018). Research has shown the practical value of globally recognized standards to prevent terrorist financing by using a

crime script analysis approach on recognized terrorist financing practices (Gilmour et al., 2017). McTaggart (2017) noted that organizations with significant information technology resources and experience create a platform to build technological solutions that can manage risk assessment on a large scale of one-off transactions that happen. Banks may find intelligent process automation beneficial to eliminate unnecessary alert generation based on already set rules within the transaction monitoring systems.

### *Bank Senior Compliance Leaders*

Bank compliance managers should identify areas of vulnerabilities within the firm's business that pose a greater risk of violating OFAC sanctions and designing a comprehensive program to mitigate these risks. The OFAC related training program should provide sufficient information and guidelines to employees and stakeholders to support the organization's OFAC compliance initiatives (DeMarco & Mason, 2019). Compliance officers should display ethical leadership, which provides a strong signal of being a good organizational citizen when implementing and complying with regulations (Zhang et al., 2018). Omarova (2017) noted the affiliation between the organization and shareholders' incentives for short-term gains as a matter of internal governance that works against the public interest to preserve long-term financial stability. Bank compliance leaders should ensure that the bank's operations and compliance program meet the highest standard for preventing sanctioned individuals and entities from misusing the financial system.

It is essential to validate the effectiveness of the firm's operating model of internal policies and controls used to manage the impact of regular changes from

regulatory sanctions programs on their business. Banks must create or apply an efficient compliance framework to identify risk events, conduct analysis, and monitor (Abuzarqa, 2019). The Federal Deposit Insurance Corporation (FDIC) initiated lawsuits against failed banks' directors and compliance officers who were in breach of their duty to implement effective business policies and internal controls (Hill & Moll, 2017). Regulators expect a firm tone to be set at the top of banks to ensure that regulatory reports reflect greater transparency of process and complete disclosures (Lail et al., 2015). The Dodd-Frank Act strengthens the U.S. financial system by mandating banks' board of directors to have risk oversight responsibilities (Omarova, 2017). Compliance managers should perform periodic independent validation of the sanctions screening system currently used to validate effectiveness. Through regular testing, compliance managers can determine if the program is operating as intended, identify possible gaps in the system, and address any new risk identified.

Compliance managers should ensure that risks identified in an increasingly complex sanctions environment get effective management through the compliance program or face the regulators' wrath. Money laundering, terrorist financing, and financing the proliferation of weapons of mass destruction are significant global dangers affecting the financial system (Vnukova et al., 2019). The New York Department of Financial Services threatened to revoke Standard Chartered Bank's license with a settlement of $1.099 billion paid for alleged money laundering violations for transactions involving a sanctioned country (Buchanan & Zabala, 2017). It is valuable to use the red teaming methodology to help organizations view their vulnerabilities and challenge

assumptions as a framework to develop the skill to be resilient and responsive to financial

crime challenges (Scott, 2020). Shareholders prefer to have capable chief executive

officers with a combination of skills to achieve shareholders' goals and increase

competitive power in the competitively regulated market (Kaur & Singh, 2019).

Managers with compliance responsibilities are confronted with complex risk

management obligations while dealing with regulatory requirements for AML

compliance (Boles, 2015). In addition to managing the risk of resolving potential name

matches in a sanctions program, compliance managers should also consider managing

critical stages of the system lifecycle like implementation, ongoing tuning, testing, and

remediation of gaps found. Compliance managers must ensure that the SCP has solid

executive support, backed up by skilled and knowledgeable compliance employees to

implement and manage the program.

It is crucial to hire and retain top talents that are the best ethical compliance

professional who understands the business area and effectively makes it work for the firm

to avoid regulatory issues. It is crucial for bank employees to have impeccable characters

because the employees' jobs and responsibilities enable them to do significant harm to

the bank, shareholders, and society (Hill, 2017). Trust must be built over a long time but

can be expendable in a flash through failures caused by employees' problematic ethics,

values, and behaviors (F. Song & Thakor, 2019). Banks' fiduciary duties come from their

systemic relationship with the public and not with the fiduciaries' internal relations

(Hockett, 2017). Thiam et al. (2019) noted that ethical issues are of significant concern in

an organization where corporate governance systems implemented by banks claiming to

be ethical have failed to control employee behaviors. Compliance managers may find it beneficial to ensure front-line employees are knowledgeable about the regulatory sanction compliance vulnerabilities the organization may encounter in their business.

**Supporting and Alternative Theories**

Leaders of high-risk financial services organizations may consider frameworks other than the TOC when considering avenues to prevent and lower sanctions violation. The TOC has gained significant interest from researchers, but documented studies have already been observed in industries like automotive, consumer products, and manufacturing (Reid & Cormier, 2003). Applying alternative theories may provide organizational leaders in the banking industry an option from different theories to access their efficiency and effectiveness compared to the TOC. Supporting and contrasting theories include lean thinking, activity-based costing, and the order of preference by similarity to ideal solution (TOPSIS).

*Lean Thinking*

Bank compliance managers might consider examining lean thinking (LT) as a supporting theory to the TOC as they are both business methodologies used to increase organizational performance by focusing on reducing costs. LT is a supporting theory that leaders of service organizations like banks can leverage to improve output and achieve efficient operations (Rajagopalan & Solaimani, 2019). LT provided a new way to organize human activities to deliver improved service benefits while eliminating waste. While an increase in process capacity can lead to faster service delivery, reducing capacity to achieve lower cost can lower quality service delivery (Li et al., 2017). The

application of LT production systems to address customer services can empower

employees, boost revenue growth, and enhance key performance metrics like profitability

(Dombrowski & Malorny, 2018). Contrary to the TOC strategy of focusing on throughput

improvement rather than cost reduction, LT entails reducing cost. The net effect is the

same increase in profitability, as shown in Table 3.

The primary element LT uses to achieve cost reduction is using an organizational

system driven by the concept of customer-defined value. Many organizations in the

service industry have applied the LT methodology to improve productivity and cut costs.

In contrast, many organizations apply LT at strategic levels, and some apply LT at very

defined areas within the organization (Bader et al., 2020). LT principles entail customer

satisfaction by providing impeccable quality while limiting the activities that do not add

value (J. Singh et al., 2019). The LT approach model of waste elimination has played a

vital role in organizations' competitive advantage through resource savings with higher

productivity. The effectiveness of LT application is evident by many successful

organizations globally (Elkhairi et al., 2019). The LT process aims at removing all steps

within the delivery of goods or services that will not provide value to the final customer.

**Table 3**

*Theory of Constraints Versus Lean Thinking*

| | Theory of constraints | Lean thinking |
|---|---|---|
| Goal | Increase profit by increasing throughput | Increase profit by adding value from customers' perspective |
| Measures | ▪ Throughput<br>▪ Inventory<br>▪ Operating expense | ▪ Cost<br>▪ Lead time<br>▪ Value-added percentage |
| What to change | Constraints: the "weakest links" in the system | Eliminate waste and add value considering the entire system |
| How to implement the change | Five-step, continuous process emphasizing acting locally | Five-step, continuous process emphasizing thinking globally |
| Time | Both can achieve immediate results but require a long term (about 5 years) effort to sustain the results | |

While the TOC starts by identifying constraints, LT directs the change agent to think of value first; however, LT and the TOC agree that organizations must first address the change. The ultimate goal of LT application by organizational leaders is to drive continuous improvement and ensure all employees are engaged in the change management process (Netland et al., 2019). LT can apply one of its operational level tools known as value stream analysis that can be used to initiate a framework and identify operational level factors (Aamer, 2018). The application of LT components has become popular and dominant in many industries as the most widely accepted continuous improvement methodology available (Oliver et al., 2019). The TOC can support LT change agents to improve performance where it is challenging to eliminate bottlenecks.
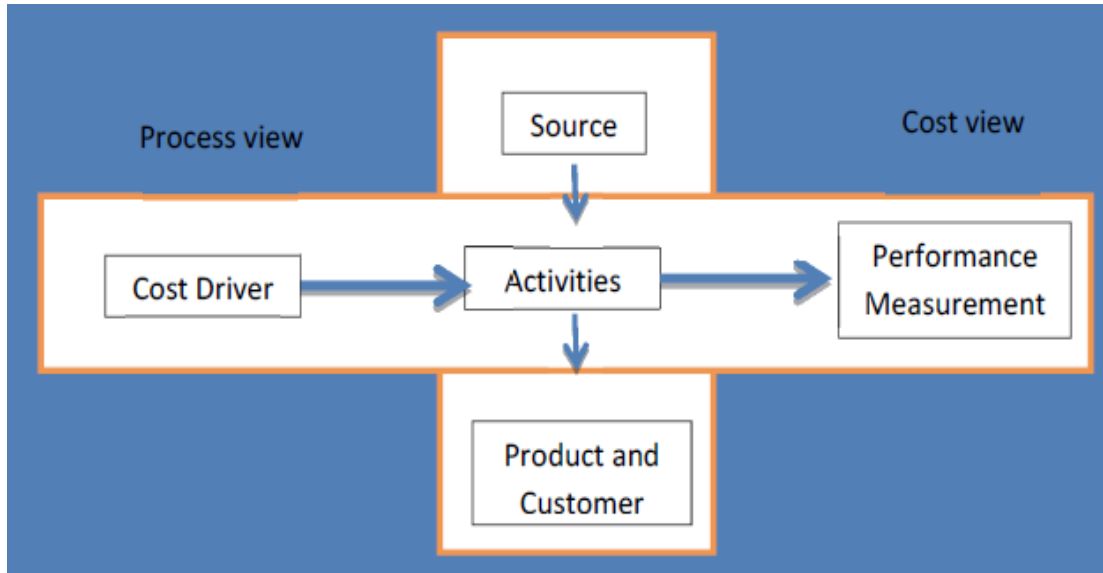
*Activity-Based Costing*

Activity-based costing (ABC) is an economic model of an organization's production-related activities. ABC and the TOC represent alternative models that help analyze the economic consequences of decisions associated with production. ABC is appropriate for the long term compared to the TOC suitability for a shorter-term product mix for decision conflict resolution (Kee & Schmidt, 2000). The ABC method helps achieve a more efficient costing system that helps identify and analyze production activities leading to the cost's product object (Almeida & Cunha, 2017). An organization's cost structure is a crucial determinant for adopting ABC as a change in cost structure from direct labor to overhead resulting from capital investments will discourage ABC's adoption (Rankin, 2020). Although ABC and the TOC share similar objectives, they apply significantly different strategies to achieve these objectives (Kee & Schmidt, 2000). The level of spending from management's decisions may not adequately reflect ABC's short-run cost focus for making production related decisions.

The goal of ABC is to incorporate production capacity indirectly into the selection of a product mix. The theory draws criticism for its failure to incorporate constraints into production related decisions (Kee & Schmidt, 2000). An organization's decision to implement ABC is viewed from a microeconomic perspective as such a decision could impact the organization's strategic and operational future (Pietrzak et al., 2020). Research has shown that organizations found ABC implementation too costly, wasted too much time, and an unsatisfactory management model (Hasan, 2017). In addition to initial and final implementation costs, some of the ABC technique's disadvantages are complexity

and lengthy implementation (Al-Qudah & Al-Hroot, 2017). An essential aspect of using ABC is to understand the economic condition for its optimal deployment.

Organizations should identify the appropriate situations when it is beneficial to introduce ABC regarding business unit performance. ABC's benefit regarding competition, indirect costs, and production complexity level below those required by ABC is not apparent (Aljabr, 2020). However, the extensive use of ABC for cost analysis, cost strategy, and cost evaluation directly improves operational performance (OPP). In contrast, it indirectly improves financial performance through improved OPP (Vetchagool et al., 2020). In the ABC model, the activities are evaluated first before being aggregated. After that, the primary process of selecting the cost driver starts, and the cost driver is the measurement of consumption, as shown in Figure 2 (Chouhan et al., 2017). It is crucial to note that indiscriminate use of ABC or any other cost system or model can lead to sub-prime decisions.

**Figure 2**

*Activity-Based Costing Model*



*Note.* Adapted from "Activity Based Costing Model for Inventory Valuation," by V. Chouhan, G. Soral, and B. Chandra, 2017, *Management Science Letters*, *7*(3), p. 137 (https://doi.org/10.5267/j.msl.2016.12.003). In the public domain.

### *The Technique for Order of Preference by Similarity to Ideal Solution*

The theory for order of preference by similarity to ideal solutions (TOPSIS) was the result of work done by Yoon and Hwang in 1980 and is among the various multi-criteria decision making (MCDM) models used to rank the risk categories according to their importance (Dandage et al., 2018). Furthermore, the theory provides researchers with the tool to successfully apply to many practical, real-world challenges (Palczewski & Sałabun, 2019). The theory helps organizational settings because it uses the MCDM technique to identify the most suitable alternative(s) from various alternatives to solve a wide range of economic, management, and social problems (Salih et al., 2019). TOPSIS

application is popular in business and management as it covers organizational performance applications such as financial measurement, investment projects, and competitive advantages (Behzadian et al., 2012). TOPSIS application is contingent on organizational leadership and projects that requiring risk identification.

Organizations are increasingly exploring ways to remain competitive in the market and directly give their customers the type of product and services that they desire while considering the environment. Globalization and competition have introduced various pressures on many small or medium organizations but at different levels (M. Singh et al., 2020). The TOPSIS model has been proven to be an effective method to solve multi- objective decision-making problems. However, the evaluation model considers only the complete level of numerous indicators where the indicators have a replacement effect (Y. Song et al., 2020). The TOPSIS model is based on the concept that the chosen alternative should have the shortest Euclidean distance from the ideal solution and the farthest from the negative ideal solution (Garg et al., 2019). The use of improved TOPSIS integrated with the best-worst method can be designed to solve multi criteria group decision making with intuitionistic fuzzy information (Tian et al., 2018). The TOPSIS model helps determine a wide range of alternative comparisons, including ranking organizational leaders, data mining, and supply chain operations to enhance organizational performance.

**Summary of Literature Review**

This review focused on managerial strategies to avoid regulatory sanctions, the appropriate tools, and best practices required to meet the regulatory obligations.

According to the TOC model, bank management can use the TOC as a framework to identify and manage constraints with sanctions regulatory reporting through a continuous improvement process. Researchers have applied other theories to help in their research on ways to avoid regulatory sanctions. However, the TOC's model's identification of what to change allows researchers to isolate the constraints as the weakest link in the system. The effectiveness of banks' compliance to regulatory sanctions screening can be measured through the various modern technological screening systems used to confront the challenges of the ever-changing regulatory environment (Kir & Erdogan, 2021). The recorded years of CMP accessed against banks for various OFAC enforcement actions for non-compliance with economic sanction violations obligations have proven detrimental to the banks' reputation and shareholder value (Gowin et al., 2020). Bank compliance managers should ensure that the design of the bank's compliance program can adequately and effectively prevent the risk of violating OFAC sanctions reporting (DeMarco & Mason, 2019). By researching strategies that bank managers can successfully apply, this study will provide professionals with additional resources and valuable tools to help banks avoid regulatory sanctions.

**Transition**

In Section 1, I provided the study foundation. Elements included the Background of the Problem, the Business Problem, Purpose Statement, Nature of the Study, Research Questions, Conceptual Framework, and Significance of the Study. I provided a review of the literature and discussed how bank managers could align the TOC to compliance strategies to avoid regulatory sanctions. The literature also includes references to bank

best practices and tools to improve SCP to avoid regulatory sanctions. In Section 2, I describe my role as the researcher and discuss the overall research method and parameters that provide sound and rigorous research. I include ethical considerations and data collection and analysis. In Section 3, I present the study's findings, including the themes that emerged from the data and how the findings' support the TOC in bank regulatory compliance. The discussion includes suggestions to improve business practice, implications for positive social change, and recommendations for further research.

Section 2: The Project

In Section 2, I describe the research process for the project. This includes a discussion of my role as the researcher, participant selection, and a review of the research method and design. I review the data collection, data organization, and data analysis processes. I also discuss the importance of ethical research and the steps I have taken to assure the study's reliability and validity in this section.

## Purpose Statement

The purpose of this qualitative explorative single case study was to explore compliance strategies bank managers use to avoid regulatory sanctions. The population for this study include three senior bank executives from one bank who have successfully managed compliance strategies in a corporate regulatory compliance office in the Dallas, Texas, metropolitan area. The implications for social change include the potential influence on bank business practices by developing sound ethical financial institutional cultures. Society benefits through confidence that social mores are reinforced that enable citizens to have faith and trust in the banking industry.

## Role of the Researcher

The researcher plays a crucial role in the data collection process. The primary role of the researcher includes carrying out the following steps with the strictest ethical protocol for conducting qualitative research: collecting data through interviews with participants, analyzing data collected to identify themes, interpretation of the results, and presentation of data. The qualitative researcher's role is to act as the primary instrument of the data collection and analysis process (Karagiozis, 2018). The researcher's

responsibility in a qualitative study is to gather data from various sources and form a connected analysis through interviews, evidence, and available documents (Yin, 2018). To build a trustful relationship and maintain ethical confines, the researcher must create an open and transparent relationship with participants (Anderson, 2017; Thurairajah, 2019). In a qualitative study, the researcher has the sole responsibility of applying ethical standards while objectively seeking data (Cumyn et al., 2019). As a chartered banker, I have over 15 years of direct financial services experience managing teams in a regulatory compliance environment and implementing compliance programs. My interest and global network within the banking and financial services industry motivated my choice of the topic and channel of potential participants.

As a researcher, I have experienced how financial regulators sanction banks. The qualitative researcher must put the presence of personal bias that may affect the study outcome into consideration (Clark & Vealé, 2018). A researcher must understand the boundaries between research and practice and adhere to the ethical research principles resulting in research quality. The *Belmont Report* provided direction for my ethical choices in my role as the researcher. The National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research (NCPHSBBR) published the *Belmont Report* in 1979 to address the boundaries and principles of ethical research (Beauchamp, 2020). The *Belmont Report* provides an overview of ethical principles and guidelines highlighted as the three core principles for ethical research: (a) respect for persons, (b) beneficence, and (c) justice (NCPHSBBR, 1979). In my role as researcher, I

applied the principles of the *Belmont Report* in detail to maintain the required ethical standard throughout the data collection process and in my interaction with participants.

Bias is one of the known factors that can influence the role of a researcher in a qualitative study. The effect of a researcher's values, beliefs, and attitudes can cause bias, which can subsequently misrepresent the data and findings of a study (Galdas, 2017). It is crucial to note that a researcher's bias can affect the credibility of a study (Yin, 2018). A researcher can explore many strategies to mitigate bias. The inclusion of other researchers in the analysis process can help to mitigate bias. At the same time, the use of multiple sources to corroborate findings and use data to support findings can increase reliability and validity (Yin, 2018). Qualitative research typically involves direct personal experience to understand an observable behavior's depth (Peterson, 2019). I mitigated bias by using member checking of interviews analyzed to ensure the participants' views align with findings, thereby reducing the personal bias in my data interpretation.

In this study, I developed an interview protocol (see Appendix B). The purpose of an interview protocol is to notify the participant of the interview process and create a level of authenticity through set expectations (Peterson, 2019). In addition, the researcher uses an interview protocol to align with the study's overall intent (Roberts, 2020). Interview protocols are crucial because they include the interview questions used by the researcher to extract detailed and exclusive data to understand the participants' experiences (Yeong et al., 2018). I used open-ended questions to stimulate a platform of open dialogue during the interview process by using an interview protocol that can provide consistency from participant to participant.

**Participants**

The research participants need to possess specific skills and characteristics for inclusion in this study, and only the participants who meet this requirement should be selected. Researchers use eligibility criteria to help select experienced and suitable participants that can provide data to support the research topic (Latiffi et al., 2016). The selection of participants is a primary element of the study design for all types of study. Selecting more than one participant is recommended to ensure the depth of data collected (Yin, 2016, 2018). In addition, picking a thorough sampling of participants is essential for ensuring the study's credibility (Marshall & Rossman, 2016). The specific population I focused on for this study included bank managers located in Texas with the documented achievement of developing and implementing successful strategies to avoid regulatory sanctions in a bank. The participants had a minimum of 5 years of experience as a compliance manager and supervise employees in a compliance department.

Participants were located in Dallas, Texas. Communication with participants was through a virtual mode; therefore, I used a virtual platform to build rapport to provide insight into the study's purpose, discuss information sharing, and conduct interviews. Building rapport with the potential participant is crucial to provide a platform to highlight the study's potential benefits and help to secure participants' engagement (Peticca-Harris et al., 2016). It was crucial to ensure that the potential participants selected would meet specific eligibility. The use of eligibility criteria is required to select participants (Weng, 2015). Creating a relationship of trust is essential during the receipt of consent and interview process in a virtual environment to develop trust between the researcher and

participants (Guillemin et al., 2018). To accomplish this, I accessed potential participants via LinkedIn, the Association of Certified Anti-Money Laundering Specialists (ACAMS), the Association of Certified Financial Crime Specialists (ACFSC), and other professional financial services network I have a membership. According to Van den Brink and Benschop (2014), researchers can rely on professional networks and connections to access participants. I established strategies to set up a working relationship with potential participants, recognizing the importance of maintaining flexibility around work and meeting schedules of the potential participant.

There is a need to maintain strict confidentiality regarding information provided and documents accessed, considering the peculiarity and sensitive nature of the position of potential participants chosen. Reassuring confidentiality of the data collected, including readiness to share preliminary and final results of the research, are key elements of managing relationships with the participants (Marshall & Rossman, 2016; Yin, 2016). Each participant was assigned a pseudonym (i.e., Participant 1, Participant 2, and Participant 3) to protect their identity. The three participants had different levels of experience. Participant 1 was a senior bank compliance manager (SBCM) with 20 years of experience in regulatory compliance and financial crimes. Participant 2 was a SBCM with 13 years of experience in AML and sanctions compliance. Participant 3 was a SBCM with 8 years of experience in regulatory sanctions compliance. Therefore, selection was based on bank compliance managers with knowledge and experience related to sanctions compliance strategies that align with the overarching research question to establish a working relationship.

**Research Method and Design**

There are three research methodologies used to explore the existence of the new or existing phenomenon. The three approaches that scholars may consider when conducting academic research are qualitative, quantitative, and mixed methods (Akimowicz et al., 2018).

**Research Method**

The qualitative research approach was the method I decided to use for this study. It is imperative to decide on a method in advance of conducting a study (Cypress, 2018). Qualitative, quantitative, and mixed-method methods all have peculiar variances that researchers must evaluate when designing a study (Makrakis & Kostoulas-Makrakis, 2016). A qualitative method allows the researcher to use specific strategies to understand social life aspects by generating words instead of numbers as data for analysis (McCusker & Gunaydin, 2015). A quantitative study uses concepts of hypotheses and statistical techniques (Hochbein & Smeaton, 2018). A mixed method study uses complex research questions to gather survey data and combine it with qualitative data that can be time-consuming (Olivier, 2017). I selected a qualitative method because of my interest in exploring strategies used by senior bank management by asking simple rather than complex research questions and collecting data through explanations rather than testing a hypothesis or applying statistical testing.

Although I considered the quantitative research method, I recognized that applying characteristics of a qualitative research method is advantageous for the data collection and analysis I needed to do for this study. A quantitative method is helpful in

testing hypotheses statistically (Yusup et al., 2019). Unlike a qualitative study method, the quantitative method requires an evaluation of relationships among variables by gathering and assessing quantifiable data that leads to an objective understanding (Park & Park, 2016). Therefore, a quantitative method is focused on the confirmation or rejection of the theory (Yousefi Nooraie et al., 2020). The qualitative analysis method aligns better with answering specific types of research questions to generate and evaluate specific themes based on the responses given on bank managers' strategies to avoid regulatory sanctions in their teams and from an organizational context.

I also researched the mixed method approach. The mixed method consists of quantitative and qualitative methods, which require the collection of wide-ranging data and an analysis that is a time-consuming exercise (Yin, 2018). According to Molina-Azorín and Fetters (2020), a mixed method approach is beneficial for researchers to explore and confirm a phenomenon. Some researchers also want to capitalize on the efficacy of results from qualitative and quantitative findings and choose to use a mixed method (Yousefi Nooraie et al., 2020). Qualitative research focuses on providing thorough insight and understanding of the human condition and real-world problems (Moser & Korstjens, 2017). Applying the qualitative method allowed me to evaluate life experiences to understand a phenomenon and not test hypotheses. Therefore, a mixed method approach was not a suitable option.

**Research Design**

A qualitative approach provides various design options that the researcher can choose from to explore the research question. Qualitative research includes several

comprehensive designs used in a study, including phenomenology, ethnography, and case study (Molina-Azorín & Fetters, 2020). A case study design allows for an accurate evaluation of research procedural validity through convincingness rather than measures of the reliability, validity of data, and generalization of data (Alsharari & Al-Shboul, 2019). The use of a case study design is the most practical to use in understanding the past experiences of a participant in situations where the researcher does not have control (Yin, 2018). I considered a single case study design over a multiple case study design as the most appropriate for this study to answer the study research questions because sample sizes within a single case could be highly enlightening and purposeful (Boddy, 2016). A multiple case study design requires extensive resources and time to manage and interact with respondents from various organizations. Unlike a multiple case study design, all respondents in a single case study design will come from a typical setting where rich data are obtained without intervening variables of organizational culture (Yin, 2018). The purpose of the research study was to identify and explore successful compliance strategies used by a small group of bank compliance managers to avoid regulatory sanctions that can lead to significant financial penalties and reputational damage for the bank.

I considered other qualitative designs, including phenomenology and ethnography. The critical element of a phenomenological study is to unravel the lived experience of people (Chang et al., 2016). The application of a phenomenological design does not attempt to understand the meaning of the phenomenon but conceptualize an individual awareness (Mohajan, 2018). The use of phenomenological design would have

been irrelevant as this study aims to explore managerial strategies used to avoid

regulatory sanctions, not their lived experiences. Therefore, the phenomenological design

was not ideal for this study. An ethnographic study allows the researcher to focus on

people's observed behaviors within a particular culture to understand that culture (Yin,

2014). Researchers who want to explore cultures, groups, and organizations choose to use

an ethnographic design (Wallace, 2019). Although ethnography might offer insights into

the research topic, ethnography was not preferred because the research purpose is

narrower in understanding a specific practice within a business culture.

Data saturation is an essential component of a qualitative study a researcher uses

to ensure the validity of a study. Attaining data saturation in qualitative research helps to

showcase the researcher's effectiveness and supports the concluding evidence presented

in a study (Nowell & Albrecht, 2019). Also, it is critical to prevent validity issues with

the study findings by ensuring that data saturation is achieved (Fusch & Ness, 2015).

Therefore, researchers must access a minimum of two data sources, such as interviews

and relevant company records (Yin, 2018). According to Lowe et al. (2018), researchers

need to achieve data saturation when no new information develops from data collected,

which indicates that the data contain all information needed to answer the research

questions. To ensure data saturation, I reviewed available bank records and data,

including records of sanctions violations, to gain additional insight. Also, I achieved data

saturation after interviewing the three bank compliance managers.

## Population and Sampling

The target population for this study included SBCMs in a bank located in Dallas, Texas, who had demonstrated success in developing and implementing compliance strategies to avoid regulatory sanctions in a bank. I interviewed three SBCMs who met the eligibility criteria in my purposeful sample. Qualitative studies do not have a general presumed sample size because the purpose of the study, research questions, and the production of data will determine the ideal sample size (Barton, 2017). The sample size is an essential part of a research study, and the number used may differ according to research type (Boddy, 2016). The application of purposeful sampling might help identify that the participants selected have knowledgeable information that can provide the required data for the study (Islim & Sevin Cirak, 2017). Therefore, the use of purposeful sampling was appropriate to acquire a comprehensive understanding of the compliance strategies SBCMs uses to avoid regulatory sanctions effectively.

I used a purposeful sampling method to select participants for my study interview from northeast Texas, which was a proper location for this study due to the many established banks in the region. Researchers use the purposeful sampling technique to select desired participants using specific criteria (Meutia & Ismail, 2017). Yin (2018) noted that researchers who use purposeful sampling could identify knowledgeable participants willing to provide the required information to answer the research question. However, it is crucial to be careful while deciding on the selection criteria to use to ensure that it can mitigate the risk of producing an inadequate and unreasonable amount of data (Peace et al., 2018). Gathering a large sample size in a qualitative study can be

demanding, and analyzing the data can become a lengthy and unrealistic process (McNeish & Stapleton, 2016). The general assumption is that sample sizes from the qualitative study are usually smaller compared to those of quantitative studies and having a large sample size can ultimately lead to redundant data that becomes weakened.

The criteria for selecting potential participants for my study aligned with the overarching research question, which was considered for reliability and validity when selecting a population sample. Researchers use purposeful sampling in qualitative research to certify that the selected participants have the required experience germane to the research question (Vazquez, 2019). Yin (2018) stated that the sample size depends on the complexity of the study topic and the depth of the data collected. Researchers need to evaluate the participant's thoughts and experiences regarding the study topic to determine the distinctiveness of each phenomenon (Guetterman & Fetters, 2018). Researchers use semistructured, open-ended interview questions to attain an in-depth understanding of business problems challenging to a study's participants (Wijbenga et al., 2019). For each participant to be eligible for my study, he or she must (a) be an SBCM, (b) have successfully applied compliance strategies that prevented the bank from an assessment of regulatory fines and sanctions, (c) have at least 5 years of professional managerial experience, (d) be employed at a bank located in Dallas, and (e) be willing to take part in the semistructured and audio recorded interviews either by face to face or via a video conference meeting.

Researchers look to obtain data saturation during the research stages. I used member checking to review the information attained during the interview with

participants and methodological triangulation to achieve data saturation. Boddy (2016)

noted that data saturation could be achieved when conducting detailed qualitative

research with few participants. An essential standard part of qualitative research quality is

the need to evaluate the saturation of the data set, which signifies that the data contain all

information required to answer the research questions (Lowe et al., 2018). It is crucial to

achieving data saturation during a qualitative study to support the effectiveness of the

researcher and concluding proof provided in the study (Nowell & Albrecht, 2019). I

accessed information from organizations such as OFAC, FinCEN, and FDIC to determine

the banks that have experienced losses from regulatory sanctions and how they have

managed such dilemmas and use the data to access contact information for the particular

bank. In addition, interviews were conducted virtually through the Zoom

videoconferencing platform (https://zoom.us) due to Covid-19 concerns about having

face-to-face interviews. The Zoom platform settings were calibrated by enabling the

appropriate privacy tools to provide confidentiality.

## Ethical Research

The protection of the rights of human participants is the primary goal of research

ethics while expanding scholarly knowledge without risk to the participants. Baral (2016)

noted that human behavior is governed by moral principles benchmarked on ethics.

Researchers in a case study must abide by ethical principles in the research process to

ensure that the process does not harm human subjects (Yin, 2017). I adhered to the

ethical framework for researching humans as outlined in the *Belmont Report*

(NCPHSBBR, 1979). I obtained IRB approval before conducting this research to ensure

that collected data meets ethical standards (IRB Approval No. 05-13-22-0366608). The

researcher's responsibility is to ensure adherence to ethical standards through respect,

integrity, justice, and beneficence (Paul et al., 2017). I acquired the required knowledge

of the elements of ethical research by completing the National Institutes of Health (NIH)

Office of Extramural Research web-based training on Protecting Human Research

Participants.

It is crucial to obtain meaningful and knowledgeable informed consent from each

participant to conduct ethical research for the study, including a disclosure statement

before their acceptance. Researchers must provide participants with adequate notification

of the study's purpose, including possible risks and expected benefits (Kaewkungwal &

Adams, 2019). The use of consent forms indicates that the research documents received

institutional support and reflect researchers' best practices (Curran et al., 2019). Consent

forms given to participants serve as a rationale for conducting ethical research (Gordon et

al., 2015). Participants were required to reply by email with the words "I consent" to the

emailed informed consent form (Appendix C), which signified their acceptance to agree

to participate and contribute to the study voluntarily.

Participants were informed of their rights to participate voluntarily and to

withdraw at any time from the study without penalty by informing me via phone or e-

mail address provided. The process of ensuring and understanding that participants'

contribution to the study is voluntary and they can withdraw at any time as indicated in

the *Belmont Report* (NCPHSBBR, 1979). I created pseudonyms in interview transcripts

and research notes to protect participants' confidentiality and their employer's

information. It is fundamental for researchers to have special measures to protect the privacy and confidentiality of participants' information, as complete anonymous participation is not possible in qualitative research (Kirilova & Karcher, 2017). I did not offer any incentives to participants for participating in this study. Although researchers use incentives to compensate participants for their dedicated time and commitment to the study, such provided incentives should follow established guidelines for participating in the specific type of study (Tripathi et al., 2018). Participants' options to withdraw from the study was included in the disclosure statement before agreeing to participate.

To ensure participants' ethical protection and adherence to *Belmont Report* guidelines, I did not disclose the names of participants or organizations they work for in my study. Also, all hard copies of confidential data and information collected are locked in a cabinet in a secured location and will be stored for a period of 5 years to protect participants' confidentiality. Researchers should avoid putting the participants in a compromising position by adequately protecting the participants' privacy and confidentiality (Yin, 2018). The data and information collected is confidential and only made available to members of the study (Saunders et al., 2014). Data collected through the electronic medium were password protected and securely stored on a removable external hard drive. However, recordings, transcripts, and data received from participants will be destroyed after 5 years. These steps will ensure the appropriateness of the ethical protection of participants.

**Data Collection Instruments**

The objective of my study was to explore strategies SBCMs apply to avoid regulatory sanctions in a bank. I acted as the primary instrument for data collection and use semistructured interviews via open-ended questions to collect information associated with the study topic. I also reviewed corporate archival records and documents to explore strategies for avoiding regulatory sanctions. The researcher acts as the primary source of data collection in a qualitative research study (Yin, 2017). The use of personal face-face interviews, participant observation, and focus group discussion are the most typical approaches of collecting data in a qualitative research study (Moser & Korstjens, 2018). The semistructured interview creates avenues for a conversation for reconciliation and clarification as the participant reflects on the topic (Vila-Henninger, 2019). Researchers use semistructured interviews to motivate participants to reveal comprehensive information and acquire a broader comprehension of the research topic (Peesker et al., 2019). Therefore, the researcher needs to consider the best data collection instrument to provide the most appropriate answers to the research questions.

I conducted semistructured interviews via the Zoom platform and reviewed corporate archival records and documents collected from organizations such as OFAC, FinCEN, and FDIC to explore strategies for avoiding regulatory sanctions. The interviews included open-ended questions that stimulate the exchange of follow-up questions to understand interview questions and responses better. Using semistructured interviews by researchers is beneficial when a platform of knowledge exists on the study topic, and the objective is to maintain consistency (Merriam & Grenier, 2019). The use of

a proper case study research requires researchers to acquire data from at least two of the available data sources, including (a) archival records, (b) direct observations, (c) documentation, (d) interviews, (e) participant-observation (i.e., site visits), or (f) physical articles (Yin, 2017). Qualitative researchers collect data through semistructured interviews to gain insightful qualitative information from participants through open-ended questions (Roberts, 2020). The interviews provided data that allowed me to answer the overarching research question and reveal how the SBCMs have successfully implemented strategies to avoid regulatory sanctions. Reviewing various literature and corporate records also provided helpful information to support the concepts and ideas presented by participants in a study. I reviewed corporate documents to include organizational compliance policies and procedures, compliance programs, organizational reports, and other outputs related to strategies managers use to avoid regulatory sanctions.

I must abide by the requirements for reliable qualitative research to reinforce the reliability and validity of my data collection instrument. The objective of the data collection instrument is an essential consideration for the validity and reliability of each participant (Haseski & Ilic, 2019). The process of member checking is part of the interview protocol that enhances the reliability and validity of the study. Member checking also constitutes respondent validation, which is a process researchers' use to seek confirmation of key points from analysis of the interview content to improve accuracy and credibility of a study (Birt et al., 2016). Researchers must conduct member checking to examine the accuracy and validity of participants' data and help eliminate bias (Yin, 2018). I conducted member checking by providing participants with the

opportunity to review the interpretation of the interview data and comment for accuracy. Researchers need to apply the principles that portray a credible, dependable, conforming, and transferable process to support the authenticity of the data collection (Morse, 2018). The use of interview protocol served as a guide to ask participants questions and discuss all dimensions of the research questions connected to this study.

To ensure consistency in the conduct of participants' interviews, I followed an interview protocol (see Appendix B), which provides introductory remarks, the purpose of the interview, and ensures interview questions are in the same sequence to maintain consistency with each interviewee; to avoid research bias. Zanin and Piercy (2019) noted that research bias can always be present in any research study. The researcher should maintain consistency by using the same flow of questions for each participant as detailed in the interview protocol (Azungah, 2018). It is crucial for the researcher in qualitative research to use a person-centered approach and principles to facilitate interviews as it could improve the quality of interview data collected (Sandvik & McCormack, 2018).

## Data Collection Technique

After obtaining IRB approval, the data collection technique I used in this study involved collecting data from participants using open ended questions through semistructured phone interviews and a review of corporate archival documents. I used methodological triangulation to help enhance the validity of the study. Methodological triangulation allows for using multiple data sources to help the researcher enhance validity and reliability (Fusch & Ness, 2015). Also, a researcher can strengthen the study's validity through triangulation (Yin, 2018). Data saturation by triangulation can be

achieved to enrich study validity by using multiple sources of information (Hennink et al., 2019). The details of my data collection technique using a semistructured interview process are laid out in the consent form and I established rapport with participants, provided the purpose of the research, and listed the interview questions as stated in the interview protocol (see Appendix B).

Interviews serve as a valuable tool for gathering data in qualitative research, and archival documents may allow the researcher to explain and provide valuable data while permitting factual explorations in case studies (Yin, 2018). A researcher has the opportunity to ask the participant a prepared list of questions during semistructured interviews (Brown & Danaher, 2019). A researcher must keep an open mind while conducting a qualitative interview using open-ended questions (Tasker & Cisneroz, 2019). In addition, a researcher can focus on the participants and their responses when the interview is recorded (Marchand et al., 2020). I assembled my data to search for patterns and themes that emerged from the interviews and archival records about the impact of regulatory sanctions on banks.

After receiving participant consent, I conducted semistructured interviews using open ended questions as detailed in the interview protocol via video call utilizing a Zoom platform. An advantage of carrying out semistructured interviews is that the interviewer can ask the participants exploratory questions to enrich the value of the data collected (O'Keeffe et al., 2016). Semistructured interview process allows for the possibility of scheduling or rescheduling an uninterrupted interview for a specified period with the participant (Agran et al., 2016). A disadvantage of using semistructured phone interviews

is the possibility of the participant willfully terminating the interview by disconnecting from the call (Topić, 2020). Another disadvantage noted by Yin (2018) is unsuitable techniques used for questioning the participant and the possibility of interview biases. The interviews were conducted on a quiet online Zoom platform where external noise and distraction was minimized to allow for better hearing and interpretation of the participants' behavior and body language.

I collected accessible corporate organizational documents like compliance manuals, policies and procedures, publicly available OFAC, OCC, FinCEN, and FDIC issued civil monetary penalties reports to complement interview responses. An advantage of accessing information through documents is that it helps researchers gain background knowledge and broaden their understanding to elaborate on the research problem (Bretschneider et al., 2017). A potential disadvantage to accessing archival and corporate documents in the data collection process is that the documents required might be classified or commercially sensitive and may not also be freely available (Das et al., 2018). Gathering resources from archival documents allows tracking corporate situations within a historical timeframe, providing a distinctive exploratory standpoint (Yin, 2018). My assessment of corporate organizational documents helped provide the additional insights needed.

I conducted member checking with participants to verify my interpretation of responses from interviews conducted to ensure there was no misrepresentation of fact from data collected. The use of member checking allows participants to authenticate the data collected or analyzed from interviews (Birt et al., 2016). The use of member

checking helps augment the interview process to confirm that the interviewer's comprehension accurately represents the participant's response (Yin, 2018). The results from conducting member checking do not only have to provide a validation check but also show the practice of accountability (Naidu & Prose, 2018). Through member checking, I (a) engaged the participants, (b) provided a written summary of the key points in the interview, (c) asked for confirmation or correction or additions, and (d) verified that themes that emerge accurately identify the issue and verify the accuracy of the written representation.

## Data Organization Technique

I used a thoughtful approach to organize and keep track of all my data. All data collected from interviews conducted, reflective journal entries, and archival corporate information retrieved will be detailed in an Excel spreadsheet, with password protection, for comparison. I also used Microsoft Word to transcribe the interviews to support data analysis and organize audio file backup. The initial stage of qualitative data analysis starts with the diligent organization of the data collected by creating a research database to properly arrange data and analytic notes (Yin, 2016). The researcher benefits from choosing the appropriate method to organize and facilitate the organization, coding, and analyses of data in an uncluttered process (Watkins, 2017). It is crucial to take notes and ensure appropriate storage for easy retrieval during the research data collection (Flick, 2018). The use of reflective journals helps the researcher capture thoughts and observations, which helps analyze important details after data collection (Woronchak & Comeau, 2016). My use of reflective journals helped capture my viewpoints and

perceptions during the interviews and capture crucial information while reviewing the recorded video interviews from the zoom platform.

I organized data collected from participants electronically using a qualitative data analysis software tool known as NVivo (Version 12). It is crucial to have a process that preserves data accuracy and ensures confidentiality while organizing data (Romanou, 2018). Yin (2018) noted that researchers frequently use computer software such as NVivo for collecting, processing, and organizing databases. NVivo software helps the researcher sort through data quickly and identify consistent themes through various data collected (Swygart-Hobaugh, 2019). I organized data into broad topic points from responses to the questions and then further analyze each topic to identify codes based on common themes. I secured all collected data, documents, written notes, journals, transcripts, and encrypted storage devices in a cabinet secured with a lock and will maintain this security for a minimum of 5 years. I will then personally destroy all data by burning the paper files and erasing all electronic storage files after the 5 years expiration.

**Data Analysis**

Using methodological triangulation in a qualitative case study design to align the data collection process helps check for the correlation of findings from the various data collection methods. The researcher uses data analysis to arrange, access, and explain data collected during the data collection process (Yin, 2017). Researchers should support the attestation of data collection by triangulating data sources and collection methods (Marshall & Rossman, 2016). Triangulating data to the conceptual framework helps to expand the understanding of data to create a research analysis pathway (Turner et al.,

2018). Methodological triangulation is an essential concept regarding data analysis for an empirical study and ensures the reliability and validity of the data and results (Fusch et al., 2018). My focus was to use various data sources by applying methodological triangulation for my study to understand responses during (a) semistructured interviews conducted with three SBCMs with follow up member checking, (b) direct observation from Zoom virtual meeting, (c) review of data from official corporate documents, and (d) keeping a reflective journal, while improving the reliability and validity of my findings.

Researchers use thematic analysis as a technique to thoroughly explain qualitative data by identifying themes and codes to answer the research question (Castleberry & Nolen, 2018). I conducted a thematic analysis of data in this study to generate themes into meaningful details that allowed me to answer the research questions. According to Yin (2018), thematic analysis consist of five steps that include (a) data compilation, (b) disassembling the data, (c) reassembling the data, (d) drawing interpretations, and (e) conclusion. For the first step, I compiled data in Microsoft Word and Excel format from recorded semistructured interviews with the selected participants, internal company documents (like annual reports and operational compliance strategies), and corporate archival documents retrieved from government regulatory agencies like OFAC, FATF, OCC, FINCEN, and FDIC. Compiling data involves checking available data to gather new information (Breidbach & Maglio, 2016). The use of interviews and retrieval of archival documents are methods that help to increase study validity through data triangulation (Fischer & Van de Bovenkamp, 2019). I used a computer software program

to synthesize the interviews' data framework after initially using a word document and spreadsheet for patterns within the data collected.

During disassembling the data, I engaged NVivo 12, a user-friendly qualitative computer software application to organize and analyze the collected data. Data disassembly is a process of reducing data into reasonable fragments that a researcher can attach labels for regrouping (Yin, 2018). Researchers can apply computer application programs to analyze data collected (Sotiriadou et al., 2016). Researchers use NVivo to categorize participants' responses and connect themes, thereby assisting in coding (Marshall & Rossman, 2016). NVivo has been identified as one of the most popular software for qualitative analysis (Houghton et al., 2017). My use of NVivo enabled me to create themes and categorize and code all data for interpretation and conclusion. Clark and Vealé (2018) noted that coding can help researchers understand the data collected. I used thematic analysis and NVivo 12 software to analyze the themes in conjunction with the TOC as the conceptual framework for my research on bank management compliance strategies to avoid regulatory sanctions and other recent literature on the TOC. The next step was to reassemble the data by categorizing the themes into sequences and groups. Identifying themes is crucial for answering the research questions (Ganapathy, 2016). The reassembling stage identifies themes and patterns (Yin, 2016). The process of reassembling data is grouping themes to form a narrative for further analysis (Yin, 2018). I used a coding protocol to perform repeated comparisons and group-like terms to identify themes and patterns.

At the stage of drawing interpretation, I looked for common themes within the coded data in NVivo. The logical grouping of thematic data for consideration is known as data interpretation (Yin, 2018). An essential aspect of the data interpretation process is the need for a researcher to focus on the research question during the interpretation exercise (Belotto, 2018). Applying member checking is also crucial to back up an accurate data interpretation process (Stansen & Chambers, 2019). Then, I applied the final themes I generated to create a narrative that addressed the research question. The final step in my data analysis was to help understand the meaning behind the data (Yin, 2018). Data conclusion is when a qualitative researcher generates inferences from the final thematic data (Renz et al., 2018). My analysis was completed by contextualizing the data utilizing the TOC conceptual framework as the guideline. The conceptual framework represents the researcher's setting to develop the research and explain the phenomenon to be explored (Gregory, 2020). I used Yin's (2018) 5-step process to establish suitable data analysis and robustness to lead to authentic and trustworthy research results.

## Reliability and Validity

The criteria for determining reliability and validity in a qualitative study are considerably different from the traditional criteria of a quantitative study. A researcher must adhere to the standards that apply to qualitative research to establish reliability and validity in a study. A researcher can use the following analogous criteria for assessing the reliability and validity of a qualitative study (a) dependability, (b) credibility, (c) transferability, and (d) confirmability (Healy & Perry, 2000). Researchers use reliability and validity as standards to establish integrity within a study (Kern, 2018; Patten &

Newhart, 2017). Reliability and validity conform to the thoroughness of a study (Bradshaw et al., 2017). A study's validity and reliability can be enhanced through member checking (Thomas, 2017). I used member checking and methodological triangulation to establish reliability, credibility, and validity in the study.

**Reliability**

I supported the consistency and dependability of my study by using interview protocol and the same interview questions. Dependability can be attained in a study by using a homogenous approach while collecting data (Mohajan, 2017). Dependability reflects the uniformity of findings, including the review by participants, interpretation, recommendations, and supplemented by the participant's data (Korstjens & Moser, 2018). Member checking from data interpretation is part of the strategies used to promote the dependability of a study (Thomas, 2017). Also, triangulation is another strategy that helps promote reliability, which influences the study's dependability (Moon, 2019). Researchers use different approaches to enhance reliability in qualitative research. Reliability can be achieved during the data collection stage by adhering to the case study interview protocol and appropriate data organization (Yin, 2018). Reliability in qualitative research is entrenched in the conception of data adequacy, which allows for steady support for a single analysis across the participants (Spiers et al., 2018). In this study, I used member checking to reduce bias for accuracy and predetermined interview protocols with all participants to ensure consistency.

**Validity**

Validity in a qualitative study alludes to the credibility, transferability, and confirmability of the study's findings. Validity helps to ensure a precise representation of participants' experiences within and beyond the immediate context because of its connection to data suitability (Spiers et al., 2018). Researchers can achieve validity in a qualitative study by focusing on triangulation, member checking, and ensuring data saturation (Mohajan, 2017; Yin, 2018). The lack of data saturation may indicate validity concerns (Fusch & Ness, 2015). I utilized the following multiple data sources to achieve validity and strengthen data saturation: (a) semistructured interviews following the interview protocol, (b) follow-on member checking, (b) relevant corporate documents, and (d) a reflective journal.

*Credibility*

I used methodological triangulation from data collected through interviews and review of corporate archival records to enhance the credibility of the study findings. Credibility in a qualitative study denotes validity and is the extent to which research results are credible (Yin, 2018). A researcher can use member checking as a technique to establish credibility in a study (Yin, 2017). Researchers can establish credibility in a study by assuring that data are factual and accurate (Lahman et al., 2015). Credibility is connected to authenticity and the ability of the researcher to make inferences based on interviews and documents (Hays et al., 2016). Credibility refers to the level of assurance that the research findings are justifiable, in addition to the fact that data was adequately interpreted (Korstjens & Moser, 2018; Stahl & King, 2020). I maintained credibility by

avoiding situations that could compromise participants' confidentiality by using unique

identifiers to disguise their identities.

*Transferability*

I complied with the principles of transferability to corroborate my research

findings' external validity. In qualitative studies, the researcher is responsible for

ensuring that the transferability of the study findings remains with future researchers

(Marshall & Rossman, 2016). Future researchers also determine the extent to which the

research findings are transferable (Varpio et al., 2017). Future researchers must be

provided with relevant information to make an informed decision for deciding to apply

the study findings to a different context (Lahman et al., 2015). Qualitative researchers

must use techniques to deliver adequate information to allow the reader to evaluate the

ability to transfer the data (Cypress, 2017). I managed transferability by describing my

research method, research design, interview protocol, data collection, data interpretation

processes, and study findings to allow other researchers to decide on the quality, validity,

and scope of the study's transferability in the future.

*Confirmability*

The confirmability of a qualitative study provides the avenue for another

researcher to corroborate or support the study's findings. Confirmability is a study devoid

of researcher bias (Spiers et al., 2018). Researchers must ensure the reduction of bias and

conflict of interests during the data collection process (Cumyn et al., 2019). I used

researcher bias identification, member checking, methodological triangulation, and data

saturation as techniques to ensure the study's credibility. Triangulation involves using

various sources to verify a study's findings, which enhances the validation of the confirmability of the research (Yin, 2017). I addressed all questions and monitor non-verbal conduct using the interview protocol and member checking. In addition to using multiple data sources such as notes taken and review of corporate organizational documents to validate the study's findings, I also used NVivo 12 to help establish confirmability of the data through tests to identify commonness of words and themes.

### *Data Saturation*

Achieving data saturation is fundamental in qualitative research. I determined that the interviews and secondary data collection method of corporate archival documents will be adequate to achieve data saturation for the study. Data saturation is when a researcher does not gain additional knowledge of the research phenomenon (Guest et al., 2020). Data saturation is crucial in displaying solidity for qualitative research (Cypress, 2017). I kept a comprehensive research journal and used logical memos to address confirmability, including member checking and methodological triangulation. Researchers need to provide meaningful and substantial, adaptable, comprehensive, and in-depth data to achieve data saturation (Fusch & Ness, 2015). The researcher should establish data saturation by observing the stage where there will be no prospect for further coding (Aldiabat & Le Navenec, 2018). I established that participants have responded to all interview questions until nothing new was revealed from the information, data, and theme to achieve data saturation.

**Transition and Summary**

In Section 2, I reiterated the purpose of the qualitative case study, which was to explore the strategies bank managers use to avoid regulatory sanctions. I discussed the research methodology and design, expatiated on my role as the researcher and discussed my plan for adhering to Ethical principles. I discussed the population and sample size, participant selection process, the data collection instruments, and techniques. I also described the data analysis process and explained how I ensured reliability and validity through dependable, credible, transferable, and confirmable findings. In Section 3, I include a presentation of the findings, implications for social change, application for professional practice, recommendations for action, and suggestions for further research. Section 3 closes with my reflections and an overall concluding statement of the research study.

Section 3: Application to Professional Practice and Implications for Change

In this section, I provide an overview of the study, present the findings, and discuss the potential applications of my research to professional practice. Furthermore, I discuss the implications for social change with the recommendations for action and further study. Finally, I provide the conclusion that incorporates the concluding remarks for the study.

## Overview

In this qualitative single case study, I aimed to explore strategies SBCMs use to address and avoid regulatory sanctions. I conducted semistructured interviews to gather information from three SBCMs from an organization that avoided regulatory sanctions. I also reviewed publicly available archival documents obtained from a bank website and regulatory agency websites. Based on the participants' responses to the interview questions, three themes emerged from the thematic analysis. These themes were (a) sanctions compliance policy and program, (b) risk assessment framework, and (c) sanctions screening technology. The emerging themes align with the conceptual framework and outline the participants' compliance strategies to avoid regulatory sanctions. My findings may assist more SBCMs by raising their awareness of effective leadership strategies for avoiding regulatory sanctions.

## Presentation of the Findings

The overarching question for this qualitative single case study was: What compliance strategies do bank managers use to avoid regulatory sanctions? To collect data to answer this question, I interviewed three participants from the same bank who

contributed their experiences, concepts, and perceptions of compliance strategies used to avoid regulatory sanctions during the semistructured Zoom interviews. In addition to the semistructured interview, I reviewed archival documents from the OFAC website and archival company information, such as evidence from the bank's website on regulatory sanctions compliance, and I checked the current literature on regulatory sanctions avoidance initiatives.

The findings from the study were reviewed as they align with the TOC (Goldratt, 1990), which was the conceptual framework (see Table 4).

**Table 4**

*Strategies Bank Management Applied to Avoid Regulatory Sanctions (N = 3)*

| Themes (T) | Alignment to conceptual framework (TOC) | % of use by SBCMs |
|---|---|---|
| T1: Sanctions compliance policy and program | Strategic decision-making process | 100 |
| T2: Risk assessment framework | Tool to identify root causes | 100 |
| T3: Sanctions screening technology | Process of continuous improvement | 100 |

*Note*. TOC = theory of constraints.

Using NVivo software, I conducted scope analysis and identified themes aligned with each participant's TOC responses. As a result, the following three themes emerged from the thematic analysis of participants' responses to the semistructured interview questions and archival documents review: (a) sanctions compliance policy and program, (b) risk assessment framework, and (c) sanctions screening technology (see Table 5).

**Table 5**

*Frequency of Participants' Responses by Theme*

| Participant | Themes | | |
| --- | --- | --- | --- |
| | Sanctions compliance policy & program | Risk assessment framework | Sanctions screening technology |
| Participant 1 | 22 | 23 | 15 |
| Participant 2 | 18 | 21 | 17 |
| Participant 3 | 22 | 16 | 13 |
| No. of occurrences | 62 | 60 | 45 |

**Theme 1: Sanctions Compliance Policy and Program**

The first theme that emerged from the thematic analysis was the need for an effective sanctions compliance policy and program. An effective sanctions compliance policy and program mechanism is crucial for financial institutions to establish to counter the negative effects of money laundering and terrorism financing (Teichmann, 2020). All participants agreed to the implementation of an effective SCP as a means of avoiding regulatory sanctions. The concern of money laundering and terrorist financing risk posed by potential and existing clients can be mitigated by compliance managers implementing effective compliance strategies (Nottage, 2018).

All study participants noted the benefits of having a sanctions compliance policy and procedure that is effective against the risk of a sanctions violation. Participant 1 emphasized the importance of regular review of sanctions screening policies, stating that "regular review of the bank's sanction screening policies and procedures, and regular periodic training to employees to ensure our processes keep pace with the changes in

sanctions regulations." These regular and periodic reviews will help ensure the bank's

sanctions are in tune with the constantly changing regulations. Participant 1 also noted

that "SCP can be very broad or very specific and may apply differently to different types

of industries." Participant 2 stated that SCP can "ensure there are procedures in place that

includes points of escalation for sanction inquiries and violation reporting promptly."

Participant 2 further affirmed that "a bank may be prone to sanctions compliance

violations when there is no dedicated SCP to administer and monitor the implementation

of the bank's sanctions compliance strategies." Participant 3 noted that, "to have a

sanctions screening program that contains a combination of effective policies, procedures

and modern technologies that enables my bank to ensure that we do not provide any form

of services to sanctioned parties, directly or indirectly." OFAC (2019c) framework for

compliance commitment assessed on OFAC's website reveals that "An effective SCP

should include internal controls, including policies and procedures, to identify, interdict,

escalate, report (as appropriate), and keep records about activities prohibited by the

regulations and laws administered by OFAC."

Current legislation and regulations by regulatory authorities like OFAC require

banks to have a process to constantly monitor all types of financial transactions

conducted by legal entities and individuals who maintain a banking relationship with

them (Vnukova et al., 2021). Banks can avoid the massive cost of staff resources, money,

and management attention by ensuring there is an appropriate AML and SCP (Ingber,

2016). In addition, SBCMs can avoid regulatory sanctions by ensuring there is dedicated

personnel appointed to oversee the implementation and enforcement of the SCP.

All participating SBCMs encouraged appointing a dedicated sanctions compliance manager or officer to administer the bank's sanctions compliance policy and program. The participants' bank noted on the website that its policies and procedures are designed in compliance with applicable U.S. economic sanctions and sanctions laws of the jurisdiction where they do business while highlighting the critical task of the bank's compliance officer in its code of conduct manual. In addition, the framework for compliance commitment on OFAC's website identified the appointment of a dedicated OFAC sanctions compliance officer as one of the efforts senior management should take and continue to make to ensure that the organization's compliance unit receives adequate resources (OFAC, 2019c). Participant 1 stated, "The bank management also ensures a sanctions compliance manager/officer is appointed to integrate the SCP's policies and procedures into the bank's daily operations." Participant 2 stated that "having a dedicated sanctions compliance officer does help to ensure the proper implementation of the bank's risk assessment by looking at the type of entities, businesses, and jurisdiction of the bank's customers." Participant 3 stated, "my bank appoints a designated compliance officer who conducts regular compliance training and education for employees and management." Compliance officers are responsible for determining the best approach to effectively combat money laundering and terrorism financing in an organization (Teichmann, 2022). Bank management should oversee the SCP's impact through unannounced independent audits and inspections.

All study participants noted the benefits of having an independent inspection or audit of the bank's SCP to periodically review the effectiveness of the bank's sanctions policy and program. Participant 1 stated their bank's approach to compliance testing:

My bank conducts an independent sanctions compliance testing over a periodic interval of every 6–18 months when new products and services are introduced, or existing products and services are changed) depending on the identified risk profile of the customers, products or geographical location of the business, or when there are significant changes required in the bank's risk profile, systems, compliance staff, or processes in line with OFAC's sanctions requirements.

Participant 2 noted that "having a regular audit review of the bank's sanction screening policies, while ensuring that relevant training is provided to employees in the sanctions department." Participant 3 asserted the importance of "reinforcing the bank's sanctions policies and procedures with regular independent sanctions compliance audits and testing." This view of a requirement for a comprehensive and objective testing or audit function within an SCP to ensure that an organization identifies program weaknesses and deficiencies and the organization's efforts to enhance the SCP is detailed in the framework for compliance commitment on OFAC's website (OFAC, 2019c). The presence of an effective process to administer sanctions and the AML process in the global AML regime serves as the backbone to detecting evasion of sanctions. (Nyeröd et al., 2022). This view is substantiated by findings in the literature review that providing a comprehensive view of sanctions compliance in a single program document can give managers a clearer understanding of the consequences of non-compliance (Allen &

Koshima, 2018). SBCMs must develop a process whereby they can proactively identify risks that can become challenging to administer the SCP effectively.

Theme 1, sanctions compliance policy and program, aligns with Goldratt's (1990) TOC framework. According to Goldratt, organizations need to focus on the efficiency and performance of processes they have in place. Bank managers must implement helpful compliance policies and programs to support strategic decision making, increasing efficiency in the bank's overall sanctions compliance process (McCleskey, 2020).

**Theme 2: Risk Assessment Framework**

The second theme that emerged from the thematic analysis was the risk assessment framework, a need for bank management to develop an enterprise-wide risk assessment framework of the bank's AML and SCP. The risk assessment framework is a method that communicates purpose and direction through the financial institution's risk appetite and approach to measure and handle risks within and outside the tolerance level (Duncan, 2021). OFAC's guidance requires banks to adopt a risk-based approach in developing, implementing and conducting an ongoing periodic review of their SCP (DeMarco & Mason, 2019). During the interview, all participants indicated the importance of implementing a risk assessment framework to identify and mitigate the risks that can obstruct the effectiveness of the SCP.

Participant 1 stated, "Another barrier that prevents a bank's regulatory compliance strategies from being effective is when the bank lacks an effective OFAC risk assessment within the SCP to conduct due diligence on the bank's customers, intermediaries, and counter-parties." Participant 2 stated, "senior bank management

ensures that there are processes in place that support the bank's SCP and the effective

deployment of technological software and applications that sufficiently manage the

organization's OFAC risk assessment." Participant 2 further affirmed that

> My bank management also builds in additional layers of review as well as
>
> identifying potential control weaknesses during the OFAC risk assessment, which
>
> generally assesses the quality of controls in light of risk and helps to identify
>
> potential weaknesses and avenues of exploitation by sanctions evaders.

Participant 3 stated, "My bank's compliance strategies have to remain effective to avoid

sanctions violations due to the presence of an effective SCP, which has an inbuilt risk

assessment to identify inherent risks to make informed risk-based decisions and

controls." Participant 3 further stated, "My bank's management reviews its compliance

programs and policies by conducting a periodic review when there is a need to update the

bank's AML and sanctions risk assessment every 12 to 18 months to ensure compliance

with regulatory requirements." This view is supported by findings in the literature review

that banks and financial services management should ensure their business model have a

robust money laundering risk assessment coupled with an effective suspicious transaction

monitoring and reporting system (see Naheem, 2017). SBCMs should leverage the inbuilt

risk assessment framework that has been tested and have the necessary tools to strengthen

the SCP, thereby preventing sanctions violations.

  An inbuilt risk assessment that identifies the risk profiles of the different types of

entities and individual clients within the SCP benefits the bank in its efforts to mitigate

sanctions compliance risks. Vnukova et al. (2021) asserted that some banks develop

internal policies or controls on compliance in conjunction with the requirement to identify inherent risks that may be present through financial monitoring. At the same time, Duncan (2021) noted that small, unsophisticated banks and credit unions are expected to perform an internal risk assessment due to the abundance of benefits available from conducting a risk assessment. Banks should apply proactive rather than reactive risk assessment strategies to avoid missing risks not assessed (Naheem, 2019). Banks should use a system of institutional and functional approaches to form a risk-based AML and sanctions mitigating system in the bank's effort to adhere to sanctions regulations (Vnukova et al., 2018). Participant 1, while explaining his opinion on risk assessment, stated,

> My bank conducts an independent sanctions compliance testing depending on the identified risk profile of the customers, products or geographical location of the business, or when there are significant changes required in the bank's risk profile, systems, compliance staff, or processes in line with OFAC's sanctions requirements. … it is also crucial for our bank to have a sanctions risk assessment in place that examines the various sanctions regimes that may apply to the type of business in which our clients are involved.

Participant 2 commented on the value of senior bank management effort to manage the bank's risk appetite, saying,

> My bank's senior management takes, and will continue to take, all steps necessary to ensure that the bank's compliance department receives adequate resources which includes human capital, expertise, modern technology, and other necessary

resources required to manage the bank's scope of operations, customer types,

jurisdictional markets, and other factors that may affect the bank's overall risk

profile.

Participant 3 affirmed that "senior management in my bank also make sure there is

management buy-in at the top for maintaining a comprehensive, risk-based compliance

program that goes beyond OFAC's guidelines." The framework for compliance

commitment on OFAC's website identified the need for banks to conduct a sanctions risk

assessment because risks in sanctions compliance are potential threats or vulnerabilities

that, if ignored or not properly handled, can lead to violations of OFAC's regulations and

negatively affect an organization's reputation and business (OFAC, 2019c). This view

was corroborated with findings in the literature review that banks must create a practical,

technologically driven risk assessment to prevent and combat the risk of money

laundering and terrorist financing (Lebid & Veits, 2020). The review of participants' data

revealed that having a risk assessment framework is a crucial step in the bank's SCP and

strategies. The best developed SCP and process would fail without an appropriate inbuilt

risk assessment framework to protect and defend the bank operations from regulatory

sanctions.

Theme 2, risk assessment framework, also relates to the conceptual framework for

this study, Goldratt's (1990) TOC framework. Goldratt recommended that organizational

leaders should effect change by connecting five focus steps with three basic questions (a)

what to change, (b) what to change to, and (c) how to cause the change. SBCMs can use

effective risk mitigation methods to detect and prevent lapses in sanctions compliance

policies. Using practical tools like a risk assessment framework can help identify the root

cause of missed sanctions compliance obligations and thereby help to mitigate the

adverse effects of this type of lapse on the bank (Bauer et al., 2019).

**Theme 3: Sanctions Screening Technology**

The third theme that emerged from the thematic analysis was sanctions screening

technology. Sanctions screening technology is an element the bank uses to monitor

sanctions risks presented by its customers through an enhanced customer due diligence

process (Staehli, 2017). Organizations should explore and use artificial intelligence (AI)

techniques such as predictive modeling. This statistical approach uses a machine learning

algorithm to predict outcomes by using historical data for identifying the relevant

attributes necessary to file a suspicious activity report using historical customer

transactions (Hayble-Gomes, 2022). Compliance teams should hop on the technology

bandwagon and consider adopting analytics powered tools as sanctions, and money

laundering regulation becomes tougher (Holzenthal, 2017). The importance of having

effective systems, controls, and practices in place to manage the risk of money laundering

activities for banks requires effective ways to detect money laundering activities. An

AML solution system, part of the overall fraud control, automates and helps reduce the

manual aspects of a screening/checking process. Chen et al. (2018) noted that having

adequate systems and controls to manage money laundering and sanctions risk activities

in banks requires an effective technological AML solution system that can automate and

help reduce the manual parts of a screening process. During the interviews, all the

SBCMs noted the importance of having effective sanctions screening technology to mitigate any sanctions name screening concerns.

Banks need to invest in modern sanctions screening technological tool that helps the banks to avoid sanctions violations due to frequently changing regulations. Participant 1 stated, "we use sophisticated name screening software provided by known third party providers in the industry to run applications that have strong sanctioned names detection capabilities with the ability to identify weaknesses that can allow evasion in our sanctions control." Participant 1 further stated "barriers could be present when banks fail to update their sanctions screening software to incorporate updates from OFAC to the Specially Designated Nationals (SDN) List." Participant 2 noted, "We use sanctions screening technological software that does not only detects only exact name matches but can screen and detect common alternative spellings of sanctioned countries or parties." Participant 3 noted, "my bank uses the best third party automated screening tools available in the market based on my bank's risk profile to include in the bank's risk assessment framework for an effective SCP." Participant 3 concluded by saying, "this automated screening tool also helps to make it easier for my bank to prevent sanctions violations in the first place."

OFAC (2019c) noted on the framework for compliance commitment reviewed on OFAC's website the need for bank management to ensure "sufficient control functions exist that support the organization's SCP including but not limited to information technology software and systems that adequately address the organization's OFAC-risk assessment and levels." This view was validated by findings in the literature review that

bank managers should consider the fitness of their sanctions program's technology aspect in line with OFAC's framework to avoid or mitigate future penalties (Crabb, 2019). Examining the participants' views, modern and effective sanctions screening technology was identified as an essential tool for the compliance and risk functions of the bank. It would be difficult to carry out sanctions compliance functions and tasks without screening technological tools and applications in this constantly changing sanctions regulatory environment.

Theme 3, sanctions screening technology, aligns with Goldratt's (1990) TOC framework for this study. Goldratt recommended that organizations should manage constraints and drive change through a process of continuous improvement. The study's findings supported Ikeziri et al. (2019) assertion that organizations like banks can use the principle of the TOC to help a continuous improvement by enhancing their sanctions name screening technology to achieve organizational compliance goals.

## Applications to Professional Practice

I conducted this qualitative single case study to gather data from my interviews with SBCMs and reviews of publicly available corporate documents that provided information about the strategies that bank management in a specific bank uses to avoid regulatory sanctions. The findings of this study demonstrated several strategies managers used to prevent and avoid learning from experience in teams. These strategies included enhancing existing sanctions reporting processes, designing effective organizational compliance procedures, and continually role-modeling compliance behavior within the organization from top to bottom. In addition, through analyses of the data collected, I

found the following major strategies that played an essential role in developing, monitoring, and complying with requirements needed to avoid regulatory sanctions: (a) dedicated sanctions compliance personnel, (b) effective sanctions screening policies and programs, (c) ethical compliance policies and training, (d) independent sanctions compliance audits, (e) OFAC sanctions risk assessment, and (f) sophisticated sanctions name screening technology.

Bank management oversees the provision of ethical financial products and services following regulatory requirements in the United States, even though some bank management lack effective compliance strategies to avoid punishment for misconduct through penalties levied against the financial institution (Köster & Pelster, 2018). Furthermore, many banks are experiencing increased systemic risk exposure due to financial penalties (Köster & Pelster, 2018) and a need to adopt sanctions-related internal compliance programs (Early & Preble, 2020). These fines and penalties by regulatory authorities provide a means of de-incentivizing misconduct by banks (Macartney & Calcagno, 2019). The findings of this study highlight effective capacity-building strategies of banks that SBCMs can use to enhance compliance programs, which directly affects how the bank remains compliant with regulatory provisions and avoids sanctions violations. Generally, the findings include examples of effective business practices by establishing strategies for improving compliance programs and procedures, thereby illustrating how banks could remain compliant with regulatory requirements. By implementing these capacity-building strategies, bank management could increase the banks' abilities and strategic proactive responses to regulatory obligations. OFAC

considers how well these capacity-building strategies and elements have been incorporated by bank management when considering its enforcement response to sanctions violations against banks (Hutten, 2021). Therefore, the results of my research may add to the body of knowledge, and bank management can use or adapt these strategies to increase their awareness of effective measures for avoiding regulatory sanctions.

The study's results are relevant to professional practice because they can assist in identifying compliance strategies that can be helpful to bank management and SBCMs to enhance their operational business practices. Additionally, the results of this study may contribute to reducing gaps in the regulatory sanctions literature. The findings can serve as a valuable guide to banks and SBCMs in identifying enhancements to strengthen and improve their operational compliance programs and reduce, mitigate, and prevent the risk of sanctions violation activities.

## Implications for Social Change

The results from this study can benefit society by reducing the loss effect on shareholders' value of banks from damage to reputation and profit resulting from fines and penalties due to regulatory sanctions violation. Furthermore, robust sanctions compliance policies and programs can positively impact the bank shareholder value, increasing employment opportunities in the banking sector and contributing to national gross domestic product. Gowin et al. (2020) noted the magnitude of the negative impact of various CMP issued against banks for violations of OFAC economic sanctions on shareholder value. Furthermore, fewer assessments of fines and financial penalties on

banks for sanctions violations will positively impact the financial system's stability

(Köster & Pelster, 2018).

This study's findings and conclusions can significantly be valuable to the banks

by providing strategies to avoid regulatory sanctions. The implementation of these

strategies after a thorough review and modification to the bank's distinctive operating

model (recognizing the market forces, customer type, risk appetite, risk tolerance, and

regulatory environment) can improve the bank's competitive advantage to reduce overall

cost and expenses within the financial system. In addition, with increased profitability

resulting in few regulatory fines and penalties, the banks could contribute to positive

social change through the available resources that can help create employment

opportunities for members of society within the financial services industry. Furthermore,

banks with little or no regulatory sanctions, violation fines, or penalties assessed against

them get a positive reputational brand image within the society for being a compliant

bank that customers can trust to conduct a banking business relationship.

## Recommendations for Action

This qualitative single case study aimed to explore bank management's

compliance strategies to avoid regulatory sanctions. Using methodological triangulation

of semistructured interviews, Regulatory authority archival documents and bank website

information, and notes taken during the participants' interviews, I identified three themes

related to SCBM strategies to avoid regulatory sanctions. Given my findings, I would

recommend that compliance managers: (a) make use of disclosure in audited reports as a

strategic tool for communicating the bank's adherence to sanctions regulations, (b) create

specialized targeted bank sanctions compliance training to create sanctions compliance awareness, and (c) execute intelligent software programs and platforms to measure the performance of sanctions compliance.

## Sanctions Compliance Disclosure in Audited Reports

My first recommendation is that senior bank management should implement a process where sanctions compliance disclosure statements are made as a mandatory inclusion in the bank's annual audited reports, which provides information to all stakeholders whether the bank was fined or penalized for any sanctions compliance violations and what remediation step was taken to prevent future occurrence. Mathuva et al., 2020 noted that the disclosures of AML in the audited annual reports of banks are primarily driven by corporate governance (board size and audit committee size). Therefore, the presence of disclosure statements in audited accounts of banks will show senior management's transparency to stakeholders concerning the bank's affairs.

## Specialized Targeted Sanctions Training

The second recommendation is that SCBM should improve employees' competence in sanctions compliance across all levels of the bank through specialized targeted sanctions training and development programs. Banks must provide specific and targeted sanctions compliance training across all hierarchies, including the board of directors, concerning the bank's money laundering and sanctions risk in its daily operations (Menz, 2019). The awareness of employees' obligations and adherence to sanctions compliance leads to improved job knowledge, positive productivity, and performance.

**Intelligent Software Programs and Platforms**

Finally, I recommend that senior bank management collaborate with the information technology team in the organization to source and invest in intelligent name screening software programs and platforms, which can help the bank reduce false positive alerting to capture actual sanctioned name matches and other suspicious activities in real time. Using modern and sophisticated software applications to collect and process data can help enhance the sanctions name screening process to prevent misses that could result in sanctions violations (Böszörmenyi & Schweighofer, 2015). The presence of an effective sanctions name screening tool provides a level of comfort with senior management regarding the bank's ability to comply with sanctions regulatory obligations.

With the implementation of these strategies, SCBM in banks can reduce sanctions violations and improve organizational performance to achieve business goals. I will disperse this study's results to interested stakeholders through a presentation at professional association conferences, industry events, seminars, publications in academic journals on financial regulations and compliance, business journals, Google Scholar, and my personal professional LinkedIn network.

**Recommendations for Further Research**

Bank Management should use strategies to improve the organization's compliance procedures and avoid regulatory sanctions. I used a qualitative research methodology and a single case study to explore bank management compliance strategies to avoid regulatory sanctions. Qualitative research comprises data collection, analysis,

and explanation through the researcher's interpersonal and subjective skills that do not include numbers or statistical analysis (Alase, 2017). One limitation of this qualitative single case study was the use of a small sample size. The use of only three participants from one bank located in Texas limited the number of participants. Small sample size may not represent the larger SBCM population, restricting the ability to generalize the information presented. However, the depth of understanding in qualitative research is crucial regardless of the sample size (Boddy, 2016). Therefore, future researchers should conduct a quantitative methodology study to obtain data from a much larger sample of SBCMs in different banks across a larger geographical region.

Future research may follow up on the findings regarding the differences between the strategies to inspire understanding from failure and learning from success. Another limitation in conducting this research was the participants' concerns about sharing proprietary bank information due to confidentiality clauses. Awareness can be undertaken to elucidate and alert bank management about the benefits realizable from transparency in research to mitigate this limitation in future research. Managers should apply good faith and transparency to manage the organization (Li et al., 2019). The United States financial scope expands across the country with many different banks and banking locations in major and rural cities, making sanctions violation a possibility that demands attention. Developing policies to mitigate sanctions violations was a recognized strategy. Further research could evaluate methods to refine further the effectiveness of suggested strategies. Researchers could use mixed and quantitative methods to explore strategies further to avoid regulatory sanctions.

**Reflections**

I embarked on the journey to acquire a doctoral degree to satisfy my lifelong ambition of being the first person in my family to achieve the highest academic achievement and position me to advocate better for professional and career growth. I was excited about what was ahead and took the courage to enroll in the program. However, I forgot that life comes with various challenges, which altered my focus and availability to pursue the program as I initially planned. The death of my brother, nephew, and best friend within 3 years was a significant setback for me during the program, as I had to make trips across the globe to attend their funerals. The COVID-19 pandemic also aggravated the problem when the world was on total lockdown, and I had to get to do things differently. There was much apprehension, and I also contracted the virus without knowing what the outcome would be, but I recovered with determination and trust in God for divine healing.

My decision to explore the strategies that bank management can use to avoid regulatory sanctions came from my professional experience. This experience came from working in various financial institutions and seeing the impact of fines and penalties by regulatory authorities on shareholders' value, financial results, and organizational reputation. In addition, I found the process of designing the research, collecting, and analyzing the data to be a fascinating and authentic academic experience. While acquiring qualified SCBM participants within the same bank through dozens of outreaches made by emails and the LinkedIn professional platform was challenging,

stressful, and discouraging, I was able to recruit the other willing participants through the first SCBM contact I made at the bank that they were all employed.

**Conclusion**

Banks are pressured to maintain a solid SCP to avoid regulatory fines and penalties in the constantly changing regulatory environment of sanctioned entities. I used Goldratt's (1990) TOC framework to explore strategies to avoid regulatory sanctions. From the findings from this single case study correlated with the data contained in the archival documentation and policy documents on the bank website, I was able to confirm that the functions of SCBM and compliance unit are critical to the bank's operations, through the implementation of effective sanctions screening policies and programs, compliance audits, risk assessment, and sophisticated name screening technology. These strategies may be helpful for SCBM to avoid regulatory sanctions. The implications of social change in acquiring strategies to avoid regulatory sanctions can increase shareholders' value, create more employment, provide a stable banking industry, and improve the overall financial economy.

The three themes that emerged from the thematic analysis of the data and archival documents reviews from the strategies implemented by the participating SCBMs to avoid regulatory sanctions were (a) sanctions compliance policies and programs, which comprise a formal OFAC SCP managed by dedicated compliance personnel; (b) risk assessment framework, which includes the bank clients risk profile, inherent and the unique risk within the bank operations; and (c) sanctioned names screening technology, which involves complying with sanctioned entities name screening using practical

technological tools. With the development of modern technologies and name screening tools, SCBM should invest in these applications to have the capability to capture sanctioned entities within its database for timely reporting to regulatory authorities and also remain competitive in the industry. This study's findings identified that having an effective SCP and policy is a strategic tool for proactively mitigating and avoiding regulatory sanctions.

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## Appendix A: Copyright Permissions

Appendix B: Interview Protocol

**Research question**: What are the compliance strategies bank managers use to avoid regulatory sanctions?

**Interview purpose**: The data collected will identify the compliance strategies required for bank to avoid regulatory sanctions. The interview will include eight open-ended interview questions and follow-up questions to determine the strategies participants used to avoid regulatory sanctions.

| What I will do? | What I will say? — script |
|---|---|
| Introduce the interview and set the stage<br>• Ensure participant is comfortable<br>• Inform participant that I will be recording the interview | I am Henry Akiotu, a student with Walden University completing my doctorate in Business Administration. I appreciate your consent to do this interview and for returning the signed consent form to me. The purpose of my research is to explore the compliance strategies bank managers use to avoid regulatory sanctions. I am confident that your contribution to this interview will provide insight that could assist other compliance managers in banks to avoid regulatory sanctions. This interview will take approximately 30-60 minutes. I will transcribe your responses from this interview as well as use a tape recorder. Do you have any questions about the interview process? |
| Assign participant a pseudonym<br><br>Commence the interview | Going forward, I will refer to you as _____<br><br>Now that you are comfortable, I will begin the recordings as I ask you eight predetermined questions.<br><br>1. What strategies do you use that are most effective in your approach to avoid regulatory sanctions?<br>2. How frequently does your bank review its compliance programs and policies?<br>3. What is the impact of inadequate sanctions compliance in your bank?<br>4. What technology do you use to improve compliance programs in your bank?<br>5. What makes your compliance strategies effective?<br>6. How does your bank or institutional culture serve as an effective compliance strategy?<br>7. From your experience, what barriers prevent regulatory compliance strategies from being effective?<br>8. What other useful information would you like to provide about compliance programs that we might have not already addressed? |
| End the recording | |

| Wrap up interview thanking participant | I will conclude the interview with the following statement: I do not have additional questions for and I appreciate you taking the time out of your busy schedule to accommodate me for this interview. Your voluntary contribution is invaluable. I will need to meet with you again to verify my understanding of your answers to the questions. We are at the end of the interview. |
|---|---|
| Schedule follow-up member checking interview | I will email you one to two-page summary of the transcribed interview. I will then contact you by phone to conduct a member checking interview that will take approximately 15-30 minutes to validate my interpretation of your responses and to obtain any information you wish to add. When would be a good date and time to do the member checking interview? <br> Date_____ Time_____ <br> Feel free to contact me if you have any questions. |
| | Interview Protocol Ends |

Post-interview:

1. Conduct the transcription of data collected through NVivo.

2. Summarize the interview information.

3. Conduct member checking of the interview information.

4. Follow up and clarified interview with the participants.