

## **THEORY OF REGULATORY COMPLIANCE**

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The Theory of Regulatory Compliance (TRC)<sup>1</sup> deals with the importance and significance of complying with rules or regulations. This theory has implications for all rule, regulatory, and standards development throughout human service and economic domains although the research is being drawn from the human services field. The TRC has developed over the past 40 years. It has particular significance now as the need for either more or less oversight has become politically charged. What is important about the TRC is its emphasis on selecting the right rules rather than having more or less rules and the nature of these rules as being significantly predictive of positive outcomes by being in compliance with said rules.

The Theory of Regulatory Compliance was first proposed in the 1970's when the relationship between compliance with rules was compared to compliance with best practice standards and outcome data. From this comparison, it became clear that as facilities were in 100% compliance with all

rules, there overall best practice scores and positive outcomes began to drop off. It was also found that there was a "sweet spot" at a substantial compliance level where best practice scores and positive outcomes were at their highest levels. In statistical terms, the relationship was curvilinear rather than linear. This initial result has been confirmed many times over the past 40 years in different forms of human service facilities. This result also led to the conclusion that possibly being in "full" or 100% compliance with all rules was not necessarily a good policy and that all rules or regulations are not created equal.

This led to the development of two methodologies dealing with risk assessment and key indicators of regulatory compliance. In both of these methodologies, the focus is on identifying a more targeted group of rules that either statistically predict overall regulatory compliance or reduce risk.

But what is the underlying reason for the TRC. It appears from data collected in various regulatory systems that the nature of the rules themselves may be the real problem. When rules are too easy to comply with, it is far more difficult to discriminate between the really good facilities and the mediocre facilities. This unfortunately is the nature of regulatory data, it is dramatically skewed data with the majority of facilities being in compliance with all the rules. And this leads us to one

of the principles mentioned in the introductory paragraph about not all rules being created equal. There are definitely certain rules that have a greater impact on overall compliance than others. This is where the two methodologies mentioned, risk assessment and key indicators come into play. These methodologies help to target key rules or regulations that have a larger and more substantial impact on overall compliance and positive outcomes for facilities.

The solution to the above dilemma is not to de-regulate or to over-regulate but to come up with the "right" balance of rules or regulations. We do not want to make the mistake of the old proverbial "throwing out the baby with the bathwater". We need to have some form of oversight but it needs to be the right balance of oversight based upon risk and predictive targeting of specific rules or regulations. The statistical methodologies exist to identify these specific risk and predictive rules and regulations.

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1. For additional information regarding TRC, please go to the following website:  
<http://RIKInstitute.com/RIKI>.
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