

5.3.9: Emerging Trends in Ethics, CSR, and Compliance

Learning Objectives

1. Identify forecasts about contemporary ethical and corporate social responsibility issues.

Predicted trends in ethics, compliance, and corporate social responsibility for Fortune 500 companies, governments, groups, and professionals by Navex Global include:

1. “A shift in the ‘power of voice in the story of harassment.’” The #MeToo movement has changed everything. “Bill Cosby, Harvey Weinstein, Charlie Rose, Kevin Spacey, Al Franken, Matt Lauer, and Garrison Keillor” and other high-profile public figures have pressured organizations through public forum social media forums to take action. “Victims of harassment have the power of choice. They can make an internal report and hope that their organization responds properly, or they can choose to take their story public.” A clear message for corporations and ethics and compliance officers is, “Create a corporate culture in which employees feel comfortable raising their voices about anything from sexual harassment to feelings of being insulted. This will allow your compliance program to resolve issues before they turn into scandals, and preserve the integrity of your organization’s culture internally and its reputation externally. And don’t ever tolerate retaliation.”
2. The “Glassdoor” effect (when people trust online reviews of their companies more than what companies communicate) and the effect of trust when employee messages go viral on social media. Companies need to create “listen-up” cultures by creating internal reporting systems in which leadership and managers listen to and support employees when they raise their voices for the betterment of the company. “This ensures employees know that their report will be heard, taken seriously, and things will change if necessary.”
3. Assisting national disasters that suddenly occur causes havoc not only for vulnerable populations but also for unprepared organizations. Ethics and compliance professionals learned from 2017’s natural disasters (hurricanes in particular) to update preparation plans and test emergency hotlines, communications systems, and employee readiness.
4. The acceleration of the need for compliance and ethics programs as economies begin again to grow; “growth without ethics and governance does nobody any favors. Growth with ethics and governance won’t simply be a feel-good mantra in 2018, it will be a business imperative.”
5. Creating a “culture of compliance” in corporations (a culture of integrity and ethics) over one of “vicious compliance” (an overreliance on laws and regulations). “Finally, and most importantly, leadership accountability is what every employee is watching. In the end, what happens to the top performers who violate the rules will send the loudest message of all to the organization.”
6. An increasing need for compliance’s role in prevention and mitigation as cybersecurity evolves. “Compliance must play an integral part in any organization’s cross-functional cyber security program to make sure such efforts are enterprise-wide.”
7. Giving new voice to whistle-blowers is predicted as “regulatory scrutiny is increasing, and the voice of the whistleblower in the [Silicon] Valley is growing louder as well.” Corporations need to listen and resolve whistle-blowers’ issues internally before they decide to go outside.
8. Managing culture and free speech in the workplace during “polarizing times” continues about “race, gender, sex, sexual orientation, gender identity, national origin, and religion—and people’s right to fair treatment, protection, and the rights and benefits enjoyed by others.”
9. Data privacy is becoming a larger concern for chief compliance officers in companies as “privacy laws and the environments they regulate, have evolved.” Creating a safe and respectful workplace is needed.
10. The role of the compliance professional evolves and innovates as “old networking models are giving way to online networks that provide new and unprecedented opportunities to share ideas and collaborate.”

Ethics and compliance go hand in hand as stated earlier. With a strong ethical culture, compliance is more effective in preventing risks, and without a compliance program, those who deliberately choose to break laws and codes of conduct would create disorder. “Strong cultures have two elements: A high level of agreement about what is valued and a high level of intensity with regard to those values. “In the long run, a positive culture of integrity is the foundation for an effective ethics and compliance program, which, when properly embedded into an organization, can create a competitive advantage and serve as a valuable organizational asset,” quoted from Keith Darcy, an independent senior advisor to Deloitte & Touche LLP’s Regulatory and Operational Risk practice.⁷⁹

Moral Entrepreneur: A New Component of Ethical Leadership?

An innovative development in ethics and business is the concept of “moral entrepreneur.”⁸⁰ Brown and Trevino found that people who have been exposed to a **moral entrepreneur** are more likely to become a moral entrepreneur themselves because they have experienced its potential and experienced how it is done. Inspiration certainly takes place, and the person’s well-being is improved.⁸¹

Related to moral entrepreneurship is ethical leadership. Brown and Trevino’s ethical leadership is defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making.” Examples of such conduct include openness, honesty, and treating employees fairly and thoughtfully. Social learning theory was used to gain an understanding as to why ethical leadership is important to employees and how it is perceived to work.

Ethical leaders are models of ethical conduct who become the targets of identification and emulation for followers. For leaders to be perceived as ethical leaders and to influence ethics-related outcomes, they must be perceived as attractive, credible, and legitimate. They do this by engaging in behavior that is seen as normatively appropriate (e.g., openness and honesty) and motivated by altruism (e.g., treating employees fairly and considerately). Ethical leaders must also gain followers’ attention to the ethics message by engaging in explicit ethics-related communication and by using reinforcement to support the ethics message.⁸²

In addition to social learning theory, which focuses on why and how supporters follow a leader, a social development approach to the concept of ethical leadership is also needed because it focuses on the direction that leadership should take. Studies on corporate social responsibility are concerned with how companies can contribute to societal development, not only in the sense of solving social problems but also in the sense of improving social welfare, promoting social progress, and creating new social value.

Muel Kaptein argues that there is a third component to ethical leadership—moral entrepreneurship, in addition to the already defined components of the moral person and the moral manager.⁸³ His belief is that moral entrepreneurship opens avenues for studying various antecedents and outcomes of ethical leadership that hasn’t been acknowledged adequately to date.

Studies of the antecedents of ethical leadership, at both the situational and personal levels, have found that leaders who have had ethical role models are more likely to become ethical leaders.⁸⁴ These studies have also found that the personality traits of agreeableness and conscientiousness are positively related to ethical leadership. And studies on corporate social responsibility are concerned with how companies can contribute to societal development, not only in the sense of solving social problems, but also in the sense of improving social welfare, promoting social progress, and creating new social value.

According to Kaptein, someone who creates a new ethical norm is called a moral entrepreneur. Becker believes that those people who make moral reform happen are the moral entrepreneurs. He differentiates between two kinds of moral entrepreneurs: those who create new norms and those who enforce new norms. The moral entrepreneur experiences something horrific that prompts him to want to do something to solve the issue, as Kaptein describes, a want to correct by translating a preferred norm into legal prohibitions: however, he risks becoming an outsider themselves if they are not able to congregate support for the new norm.

Kaptein states that the component of moral entrepreneurship complements the two other components of ethical leadership (moral person and moral manager), because it highlights the creation of new norms instead of only following and implementing current ethical norms. Becker suggests that helping others is important and having the altruistic trait is important for a moral entrepreneur. Yurtsever, in developing a scale for moral entrepreneurship personality, suggests that moral entrepreneurs demonstrate high moral virtues, such as justice and honesty.⁸⁵ Moreover, being a moral manager is important to be able to get the support of others to follow the new ethical norm. In order to be successful as a norm creator, one needs the support of others. Even though the three components of ethical leadership complement each other, it is still possible for someone to only exhibit one or two of the components, making ethical leadership a multidimensional construct. For instance, one can be a moral entrepreneur without being a moral manager (what Becker calls the norm creator), or one can be a moral manager without being a moral entrepreneur, what Becker calls the norm enforcer.

Concluding Comments

So, does it pay to be ethical and moral, whether it be entrepreneurs and individuals or corporations and organizations? We have discussed this question in this chapter and presented different arguments with different views. Scholars and ethicists who have debated whether or not corporations can be ethical differ on their responses. One such conference in the INSEAD Business School in France closed with the following statement: “Theoretically, a strong case can be made for the moral responsibility of firms. However, this does not preclude individual moral responsibility for acts as a corporate member. Moreover, it was also evident that

considerable concern exists about corporate misconduct going unsanctioned and the possibility that both good and bad corporate behavior is profoundly influenced by the extent to which individuals and corporate entities are held morally responsible.”⁸⁶

This statement implies that both corporations and individuals bear the possibility and responsibility for unethical—as well as illegal—acts. While corporations are not individuals, people work and relate in corporate and work settings. That is why organizational leaders and cultures play such important roles in setting the tone and boundaries for what is acceptable (ethically and legally) and what is not. Ethical values and legal, compliance codes of conduct together work to prevent and if necessary seek correction and justice for unlawful actions. As noted earlier, promoting and rewarding ethical actions are more desirable and in the long-term more profitable.

Prooijen and Ellemers’s study using social identity analysis found that individuals are attracted to teams and organizations with positive features such as organizational “competence and achievements” and “moral values and ethical conduct.” Since these two features do not always cohere working environments, the authors’ study had students choose in three different studies which they would prefer in seeking employment, “perceived competence vs morality of a team or organization.” They found that “[r]esults of all three studies converge to demonstrate that the perceived morality of the team or organization has a greater impact on its attractiveness to individuals than its perceived competence.”⁸⁷

? Concept Check

1. What are some emerging national and global issues and trends in ethics and business ethics?

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