The why, the how, and the what of Corporate Ethics and Compliance Programs: A conceptual framework built upon senior management's moral motivation

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ABSTRACT

Corporate Ethics and Compliance programs now seem a taken-for-granted vehicle for institutionalizing ethics and standardizing employees’ ethical and legal behavior. Far beyond its legal and corporate defense implications, this phenomenon also connects with a new business paradigm, social expectations on corporations, and their role as moral agents. Besides, research highlights that senior management’s ethical commitment plays a critical role in the program’s development and integration into business activities. The presence of an ethics orientation has proved to be more successful in positively impacting employees’ behavior. However, moral motivation does not appear fully addressed and explicitly integrated into existing conceptual frameworks on this topic. We believe this area of study would benefit from a comprehensive model explaining how moral motivation develops and interferes with the program’s features and outcomes. To this end, we adopt a cartographer’s role and present a conceptual framework for E&C programs delineated as a moral maturity process and drawn around the following dimensions: (1) senior management’s moral motivation; (2) the program’s moral maturity; (3) behavioral expectations and program orientation, (4) internal control’s approach; (5) components; (6) degree of integration into daily routines and business activities; and (7) what the outcomes are concerning employees,
organization, and society. We contribute to the business ethics and management literature by integrating Self-determination and Kohlberg’s Cognitive Moral Development theories to explain this phenomenon and incorporate them into previous theoretical and empirical research on the topic. We also broaden the perspective of the positive impacts when moral motivation and ethical commitment are present. We do so by visualizing what those outcomes can be at the micro, meso, and macro levels. In this regard, internal legitimacy emerges as a cornerstone of the programs’ effectiveness.

**KEYWORDS:** business ethics, ethics & compliance programs, internal legitimacy, moral maturity, moral motivation, senior management.

“Organizations that aim to be successful in the long term need to establish and maintain a culture of compliance, considering the needs and expectations of interested parties. Compliance is therefore not only the basis but also an opportunity for a successful and sustainable organization”. ISO 37301:2021, p. 6

1. **Introduction: Context and justification of this study**

The global and increasingly complex social, economic, and environmental context has given rise to a new sensitivity around the way corporations should do business. Furthermore, the corporate scandals in recent years have triggered a broad discussion on the role of business in society, particularly on its legitimacy, obligations, and responsibilities (Maak, 2008).

Given the apparent inability of companies to self-regulate, business scandals have put into question firms’ integrity and required specialized responses from regulators to correct and control behavior (Weber & Wasielski, 2013). Governments, regulatory bodies, and
international agencies have enacted legal measures, incentives, or guidelines to encourage organizations to adopt formal internal mechanisms, commonly referred to as Ethics and Compliance (E&C) programs, to standardize and improve corporate governance and behavior. U.S. Federal Sentencing Guidelines for Organizations (U.S. Sentencing Commission, 1991) or the Spanish Criminal Code, reformed in 2010 and 2015, are examples of how legal coercion and legal incentives may contribute to the profusion of these programs.

Unfortunately, many scandals occur in companies with these self-regulation and internal control mechanisms. Siemens (Berghoff, 2018), Volkswagen (Crête, 2016), and Wells Fargo (Verschoor, 2016) are just a few examples. Accordingly, understanding whether E&C programs effectively standardize and promote ethical behaviors and avoid harmful practices seems relevant to improving corporate integrity. However, it requires first knowing the nature of their components, their underlying message, and their intended impact (Brenner, 1992). In addition, it also requires considering the full breadth of their organizational context (Weaver & Treviño, 2001).

E&C programs seem to be a taken-for-granted corporate initiative for conducting business activities “in the right way” and a new domain of study related to “creating and maintaining organizational environments that aim to produce ethical and law-abiding employees” (Treviño et al., 2014, p. 186). As its literature grows, it does the actual knowledge on the topic, giving light to new perspectives and insights.

In this scenario, the establishment and development of E&C programs have been addressed by the business ethics and management literature through different theoretical lenses and methodologies. Institutional Theory, which studies the processes by which the norms, structures, and routines that guide social behavior are established in organizations (Duchon & Drake, 2009), provides a relatively complete and holistic approach to understanding this phenomenon and why it emerges. Several studies on E&C programs, or
some of their components or features, incorporate this theory in their theoretical background (see, for example, Chua & Rahman, 2011; Duchon & Drake, 2009; MacLean & Behnam, 2010; MacLean et al., 2015; Motherway et al., 2018; Treviño et al., 2014 or Weber, 1993).

Nevertheless, other theoretical lenses or perspectives are relevant and have been used to explain how these programs or some of their components work. Control theories (Merchant & White, 2017; Stansbury & Barry, 2007; Weaver et al., 1999), normative ethics theories (de Colle & Werhane, 2008; Reynolds & Bowie, 2004), organizational culture and climate (Kaptein, 2009; 2010; 2011, Treviño et al., 1998), ethical decision making (Chui et al., 2020; Haugh, 2017; Nijhof et al., 2000; Rottig et al., 2011; Ruiz et al., 2015), or psychological theories on behavior (Jannat et al., 2021; Hofeditz et al., 2017; Remišová et al., 2019; Valentine et al. 2019), are some examples.

As a result, research has produced a myriad of conceptual models. They are related to how E&C programs or some of their components are established and/or the nature or orientation of their components, and how they influence outcomes such as employees’ ethical behavior, decision-making, firm’s performance, or even the program’s internal legitimacy. Jannat et al. (2021); Kaptein (2010; 2011), Lin et al. (2018), Maclean et al. (2015), Majluf & Navarrete (2011), MacLean et al. (2015), Martineau et al. (2017), Tenbrunsel et al. (2013), Treviño et al. (2014) or Weber (1993) are some examples.

Senior management refers to the people who direct and controls a firm at the highest level. However, we extend the concept to include board members, as they have the ultimate responsibility and authority in the organization and should sanction the decision to establish these programs. Senior management’s ethical commitment and leadership seem critical for the E&C program’s integration into daily business routines (Weaver et al. 1999c) and a values-based orientation that better contributes to positively impacting behavior (Treviño et al. 1999; Weaver et al., 1999a). Besides, current international standards such as ISO 37301
(International Organization for Standardization [ISO], 2021) reinforce the idea that an organization’s approach to compliance is shaped by the leadership applying core values and generally accepted good governance, ethical, and community standards.

Nevertheless, considering the different approaches that conceptual articles may adopt (Jaakkola, 2020), we have not found a complete nomological network to provide a comprehensive view and perspective that incorporates and explains how senior management’s moral motivation develops and trigger these programs’ establishment and development.

Describing why this phenomenon occurs requires alluding to external institutional pressures and explicitly recognizing the role of intrinsic motivational forces already highlighted in previous research. It thus requires adopting a moral outlook and using the lenses of senior management’s moral motivation.

The present theoretical study broadens the conceptual framework and actual knowledge of this phenomenon's antecedents, characteristics, outcomes, and contingencies by incorporating senior management motivational dynamics and moral development. Our conceptual proposal might also improve professional practice and advance empirical and theoretical research by deepening why corporations establish these programs and thus provide new insights on how to raise boards and senior executives' moral consciousness. It might also contribute to the conversation on the role of business in society and how corporations manage their moral dimension and genuinely intend to avoid misconduct and promote ethical behaviors through E&C programs, positively impacting society and contributing to fulfilling environmental, social, and governance standards.

To this end, we adopt a cartographer's metaphorical role (MacInnis, 2011) and present a conceptual framework that offers a roadmap for understanding E&C programs by delineating why corporations -senior management- develop these practices, their critical dimensions for study, and their outcomes.
The paper is organized as follows: First, we conceptualize E&C programs. Second, we contextualize the object of our study and its relevance by explaining the connections between ethics and legal compliance in a business context and why legal compliance is a necessary but not sufficient condition to prevent corporate misconduct. We also help to visualize that misconduct is not only the result of illegality and why a moral outlook needs to be included in the equation. Third, we present a conceptual framework and explain each of the elements that make it up and the research evidence and logical analysis that support them. We do so by answering the following questions: (1) why E&C programs are implemented in firms -the why-, (2) what their primary characteristics or features are, and how they operate -the how-, and (3) what their outcomes at a micro, meso, and macro-level are – the what-. Fourth, we explain contributions and implications and propose future research lines. Finally, we draw some conclusions.

2. Conceptualization of Ethics & Compliance programs

The mechanisms for institutionalizing and managing ethical behavior in organizations receive different names. Among the most prevalent, we found the following: ethics programs (Barker, 1993; Beeri et al., 2013; de Colle & Werhane, 2008; Hogenbirk & van Dun, 2021; Jackson, 1997; Kaptein, 2009; Kaptein, 2015; MacLean et al., 2015; Martineau et al., 2017; Navran, 1997; Nijhof et al., 2000; Pelletier & Bligh, 2006; Reynolds & Bowie, 2004; Ruiz et al., 2015; Stansbury & Barry, 2007; Trevino & Weaver, 2001; Weaver et al., 1999; Weaver & Treviño, 1999), compliance programs or systems (Chen & Soltes, 2018; Haugh, 2017; Healy & Serafeim, 2019; MacLean & Behnam, 2010; Parker & Nielsen, 2009), compliance and ethics (Busse & Doganer, 2018; Christina & Fort, 2020; Majluf & Navarrete, 2011), ethics and compliance (Stucke, 2013; Trevino et al., 1999; Weber & Wasielieski, 2013), ethical management systems (Argandona, 2004), ethical infrastructures (Chui & Grieder, 2020;
Differences in the denomination are not trivial. They allow visualizing these programs’ orientation and scope (Martineau et al., 2017). For instance, (1) they offer clues as to what the company means by ethical behavior; (2) declare the intentionality of the program; and (3) thereby offer some clues on the dominant logic and ideology that prevails in the organization when it comes to institutionalizing ethics.

Previous research depicts these programs as a set of control mechanisms (Kaptein, 2009; Stansbury & Barry, 2007; Weaver et al., 1999) that companies, or other organizations, implement to standardize employees’ and managers' ethical and law-abiding behavior (Christina & Fort, 2020; Weaver et al., 1999; Weaver & Treviño, 1999). The type of control exercised may differ depending on whether the organization adopts a more legal and coercive approach, or a more axiological and aspirational one, focusing on the identification and commitment of employees to organizational values. (Paine, 1994; Stansbury & Barry, 2007; Trevino et al., 1999; Weaver et al., 1999; Weaver & Treviño, 1999). However, conceptualizing ethics programs only as control systems can limit their true scope since, beyond their formal aspects, implicit elements, such as the organization's own ethical culture, should not be left out of consideration (Weaver et al., 1999). In this sense, in addition to establishing behavioral expectations and controlling that they are met, the program must contribute to creating an ethical culture that avoids, directly or indirectly, unethical behaviors and promotes good practice (Kaptein, 2009).

Some scholars, such as Brenner (1992) or Majluf et al. (2011), do not emphasize control aspects. They define these programs as the values, principles, policies, activities, strategies, rules, and norms organizations make known to promote employees’ ethical behavior.
We conceptualize E&C programs as the values, rules, standards, control procedures, resources, communications, and actions organizations explicitly or implicitly apply to standardize and promote ethical conduct among their employees. By ethical conduct, we consider the performance of legally or morally acceptable behaviors to the community, consistent with Jones' definition (1991). We assume, as a moral reference, the adherence to any of the ethical theories raised by Moral Philosophy and applied to Business Ethics (Weber, 1993).

3. Legal compliance is a necessary but not sufficient condition to prevent firms’ misconduct

Corporate scandals are not only failures of legal compliance. They are also failures to do the right thing (Arjoon, 2005). Sometimes, the actions incurred by a company do not even seem punishable from a legal point of view (for instance, the Facebook case in 2021 on potential Instagram damage to teenage girls). However, those actions are still questioned from an ethical point of view, evidencing their implicit morality (Freeman, 1988) and moving us away from the idea that a company's responsibility should be limited solely to generating economic benefits for its shareholders (Friedman, 1970). These scandals allow us to see companies as moral agents (Moore, 1999; Weaver, 2006) and with a scope of responsibilities that go far beyond the merely economic and legal (Carroll, 1991; Carroll, 2016).

When companies fail to manage their moral dimension adequately, they fail to fulfill their stakeholders' legitimate expectations, negatively impacting corporate trustworthiness (Brown et al. 2016). That loss of confidence damages the image and reputation of the company and harms its economic performance (Freeman, 1984). Furthermore, a company's reputation based on its integrity becomes part of its brand and gives a competitive advantage (Bowie, 2010).
However, legal pressure, as opposed to self-determination and goodwill, has been the essential driver of these mechanisms of business self-regulation (Gabel et al., 2009; Stucke, 2013). Nevertheless, legal coercion seems insufficient (Hess, 2009; Short & Toffel, 2010), and, unfortunately, many scandals have occurred precisely in highly regulated industries (Michael, 2006). Within this context, legal compliance seems a necessary but not sufficient condition to guide behavior in organizations and attain integrity (Arjoon, 2005; Kaptein & Wempe, 2002; Maak, 2008; Paine, 1994).

Why is the legal compliance approach not enough? On the one hand, the implementation of E&C programs motivated solely by the desire to avoid punishment or limit potential legal liabilities entails a moral hazard that Laufer (1999) calls the *compliance paradox*: (1) companies consider these measures as a kind of protective insurance against possible legal liabilities derived from the actions of their managers and employees; (2) feeling already protected by the formally established mechanisms, companies lose the incentive to maintain and incorporate in their day-to-day activity the standards formally included in their program; (3) as a consequence, these programs could become pure cosmetics which leads to the paradox that, far from being reduced, the misconduct that the program should initially prevent is generalized.

On the other hand, laws and regulations have a limited scope when it comes to guiding the right thing to do (Argandona, 2004; Di Lorenzo, 2007; Kaptein & Wempe, 2002; Melé, 2009; Michael, 2006).

The first limitation is that the relationship between ethics and legality is ambiguous, and sometimes what is legal is not morally acceptable (Kaptein & Wempe, 2002). Second, limitations are also born from some legal standards' fuzziness and lack of clarity. Besides, in many cases, companies focus on the letter and not on the spirit of the legal standard (Di Lorenzo, 2007; Michael, 2006). Third, unfortunately, laws lag behind reality, and the process
for their formulation and entry into force makes it difficult for them to adapt quickly to the advances that are taking place in the field of knowledge, technology, or practice (Argandona, 2004). Finally, and related to the above, the very nature of the rules makes them unable to respond and serve as a guide in each company's decisions (Kaptein & Wempe, 2002; Melé, 2009; Michael, 2006).

As a result, firms may incur the fallacy of mistaking complying with laws and regulations with a sufficient condition for being ethical. However, it also requires having the moral will to act well and do things right in the right way.

Besides, unethical behavior within organizations is not only the result of some rotten apples. The problem also lies in the organizational context— a bad barrel (Bazeman & Tenbrunsel, 2011; Greenberg, 2002; Kish-Gephart et al., 2010; Trevino & Youngblood, 1990; Trevino & Brown, 2004; Ullah et al., 2019). The existence of formal internal rules and procedures does not guarantee, on its own, a positive impact on the conduct of firms’ members (Hess et al., 2005; Trevino et al., 1999). The E&C programs’ success in preventing misconduct also depends on a proper understanding of what factors in an organizational context influence employees’ perceptions, attitudes, and behaviors and how they affect individuals’ decision-making processes (Haugh, 2017; Iscenko et al., 2016; Jannat et al., 2021; Lin et al., 2018; Treviño et al., 2006). In that sense, how employees perceive E&C programs, and most precisely, the programs’ internal legitimacy (MacLean et al., 2015; MacLean & Behnam, 2010; Trevino et al., 2014), emerges as a critical outcome that corporations should put the focus on if they truly aspire to prevent unethical behavior by attaining voluntary compliance (Tyler, 2008).

Therefore, understanding how senior management influences E&C programs’ characteristics seem relevant to grasping the organizational context in which behavior occurs.
According to research (Driscoll & Hoffman, 1999; Paine, 1994; Trevino et al., 1999; Weaver et al., 1999a; Weaver et al., 1999e), the E&C programs’ ability to positively contribute to organizational integrity and ethical behavior will largely depend on to what extent the decision to implement them is morally motivated and guided by a management’s genuine commitment to ethics -internally driven motivation- or by purely strategic or financial goals -externally driven motivation-. The question here is how this moral motivation develops and what is the conceptual framework that explains the motivational dynamics that come into play when establishing these corporate practices.

4. Conceptual framework: why, how, and what

Figure 1 exhibits our proposed conceptual model, plotted as a map that depicts E&C programs and explains how they develop by disclosing antecedents from a moral motivation perspective, their critical dimensions for study, and their outcomes: the why, how, and what.

The proposed conceptual framework emphasizes the role of senior management and the motivational and intentionality dynamics behind their decision to establish an E&C program. It is built upon a narrative review of previous theoretical and empirical research on E&C programs and one of the authors’ professional practices as a Compliance Officer. As a result, we delineate a model incorporating senior management’s moral motivation as a causal agent that explains why this phenomenon occurs and drives the E&C program’s moral maturity and other features. Supported by the lenses of Self-Determination Theory (Deci et al., 2017; Gagné & Deci, 2005; Ryan & Deci, 2020), our model reveals the development of E&C programs as a maturity process that depends on whether moral motivation or just instrumental and pragmatic reasons are present in the senior management’s decision to establish these programs.

It differentiates between intrinsic motivation and several extrinsic motivation grades that describe how senior management may move from an entirely externally driven and
thoroughly amoral decision to a self-determined and autonomous moral decision to implement an E&C program. Furthermore, based on Kohlberg’s Cognitive Moral Development Theory (Kohlberg, 1969; 1976; Treviño, 1986; 1992), those processes intersect with diverse levels of moral thinking development that lead to different E&C programs’ maturity levels. However, those different motivations and moral maturity stages should not be mutually exclusive or constitutive.

Moral maturity influences other programs’ features, such as behavioral expectations or the degree of integration of daily routines and business activities. Finally, the model identifies the E&C program’s critical outcomes and how senior management’s moral motivation development level is positively or negatively related.
### Ethics & Compliance Programs’ Features and Characteristics (THE HOW)

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<tr>
<th>Senior Management’s Motivation</th>
<th>Ethics &amp; Compliance Programs’ Features and Characteristics (THE HOW)</th>
<th>Integration into Daily Routines and Business Activities</th>
<th>Outcomes (THE WHAT)</th>
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<td><strong>Moral Maturity</strong></td>
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<td>Easily decoupled E&amp;C practices</td>
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<td>Implicit: Potential misalignment between values or formal rules and informal messages and decisions.</td>
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<td>Explicit: Law as the minimum standard</td>
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<td>Implicit: Narrow market-based stakeholder relationships as required by laws</td>
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<td><strong>Internal Control’s Approach</strong></td>
<td>Enabling control and self-regulation behavior approach</td>
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<td>Explicit: Minor influence in the number of formal elements</td>
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<td><strong>Outcomes (THE WHAT)</strong></td>
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<td><strong>EMPLOYEES:</strong></td>
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<td><strong>SOCIETY:</strong></td>
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Source: Authors
5. The why: Externally driven versus internally driven senior management’s motivations

While previous research reveals the external pressures exerted on corporations by governments and other social institutions, they also highlight the active role of management not only in “responding to these pressures but also in taking positive action on their own” (Weaver et al., 1999, p. 41).

Nevertheless, those studies do not delve into the motivational processes that underlie senior management decisions or how they operate. The most approximate study we found with that intention is the one carried out by Chua and Rahman (2011), which offers the underlying reasons, not openly stated, that explain why companies produce and publicly disclose ethical codes. They distinguish between endogenous and exogenous motivations. However, they use only the lenses of institutional and social contract theories and conceptualize codes of ethics as instruments of organizational legitimation. We believe it would be appropriate to complete this perspective with the recognition of other forces or motivations, such as to what extent senior managers are committed to ethics (Weaver et al., 1999a; Weaver et al., 1999b). Besides, as Moore and Grandy (2017) argue, we need to bring morality back into institutional theory and consider the moral dimension of organizational life.

Moreover, as the academic literature points out, ethical motivation and commitment seem critical conditions to encourage and attain a values-based management approach of E&C programs (Weaver & Treviño, 1999). Besides, research also suggests that a values-based ethics program impacts more positively on employees’ perceptions, motivating voluntary compliance (Trevino et al., 1999; Tyler et al., 2008; Tyler & Blader, 2005).

5.1. External institutional pressures and senior management decisions’ frames
According to institutional theory, companies create E&C programs to maintain their external legitimacy (MacLean & Behnam, 2010; Meyer & Rowan, 1977; Weaver et al., 1999). It thus argues that organizational change is mainly pushed from the outside, highlighting, among other things, the coercive pressure exerted by regulators and their ability to legally sanction a firm's legitimacy (Motherway et al., 2018; Scott, 1995).

However, academic research also emphasizes the critical role managers play in shaping the development of ethics programs (Argandona, 2004; McDonald, 2000; Paine, 1994; Weaver et al., 1999). Managers are key actors in institutionalization processes (David et al., 2019). They react to external pressures and can make decisions for themselves on behalf of the company (Child, 1972; Hitt & Tyler, 1991; Wangrow et al., 2015). Those decisions are influenced by the management team's dominant logic (Bettis et al., 2003) but also by senior management personality traits, including belief structure and cognitive complexity (Hitt & Tyler, 1991; Walsh, 1988), and even their ideology (Child, 1972). However, senior management decisions might also be influenced by a commitment to and concern for the organization's integrity and ethical behavior (Paine, 1994).

The importance of senior management forming and strengthening an ethical organization through E&C programs should not be overstated (McDonald, 2000). Senior management can influence the development of these programs primarily through two mindsets: (1) a concern for business strategy and financial performance, and (2) a genuine concern for the organization's integrity and honesty because they genuinely understand ethics as a goal in and of itself (Weaver et al., 1999).

In the first scenario, senior management would invoke self-interest and instrumental reasons, resulting in a pragmatic frame. In the second scenario, top management would use a moral frame to justify their choice to develop an E&C program by claiming ethical reasons such as corporate integrity concerns (see Kreps & Monin, 2011 for a distinction and
examples). Furthermore, we can deduct from the latter that senior management's assessment of the company's performance is based on a management style, a vision of success, and a corporate identity founded on ethical values rather than just efficiency and control (Pruzan, 1998).

As a result, we visualize a connection between (1) the environment – external institutional pressures –, (2) senior management's role as "controlling officers" of the corporation and their intentionality in making decisions, and (3) their role as individual moral agents who collectively contribute to the corporate moral agency (Moore, 1999). We also recognize the critical role moral motivation, as opposed to self-interest (Curren & Ryan, 2020), can play in establishing and developing E&C programs.

5.2. The nature of acting with ethical commitment: senior management’s moral motivation

The motivations mentioned above - pragmatic versus moral - roughly correspond to Soutar and colleagues' (1995) empirical study findings. They stated that the primary reasons for managers to formalize ethics programs are, in order of importance, (1) the desire to improve external perceptions of the company, (2) the internalization of ethical values, and (3) compliance with laws.

We turn to one of the most prominent theories in the domain of Social Psychology to explain the human motivation to interpret these motivations and achieve a better understanding of how they work: the Self-Determination Theory -SDT- (Deci et al., 2017; Gagné & Deci, 2005; Ryan & Deci, 2020)

SDT is mainly concerned with how human motivation develops as a self-integration process. It has been applied in many psychological research and practice fields, including organizational, sports, and educational (Krettenauer & Curren, 2020). According to Curren and Ryan (2020), it is the most systematic and widely researched theory of motivation
currently available, and it also provides valuable resources for addressing moral motivation. Furthermore, this theory has been used in contemporary morality research (Arvanitis, 2017; Arvanitis & Kalliris, 2020; Curren & Ryan, 2020; Kaplan & Tivnan, 2014; Krettenauer, 2020; Krettenauer & Curren, 2020)

When senior management invokes moral considerations - internalizing ethical values (Soutar et al., 1995) or doing the right thing (Weber & Wasieleski, 2013) - they are signaling the moral value of E&C programs as well as interest in putting them in place for their own sake. According to Curren and Ryan’s (2020) definition of moral motivation, senior management would act with a reason-responsive appropriate valuing of E&C programs based on moral considerations rather than external forces. They would be acting with autonomy which means regulation by the self (Ryan & Deci, 2006).

That connects to the essence of E&C programs as self-regulation initiatives that must be pushed from a senior management’s ethical commitment to be effective and positively influence corporate culture (Paine, 1994). As a result, we can conclude that moral motivation emerges as a fundamental active ingredient in implementing E&C programs.

SDT offers a comprehensive explanation of how senior management’s moral motivation is developed. According to this theory, having a moral motivation does not only rely on the presence or absence of intrinsic motivation. On the contrary, this theory explains that specific environments encourage reflective choice capacities associated with virtuous behavior (Curren & Ryan, 2020). For instance, when senior management fully integrates and internalizes society’s moral values and rules - including laws and regulations -.

5.3. How does senior management’s moral motivation develop?

Self-regulation, according to SDT, is concerned with how people take on social values and extrinsic contingencies and gradually transform them into personal values and self-

The reasons (1) and (3) identified by Soutar (1995) and noted above would fit the definition of extrinsically motivated because they reflect instrumental behavior in that they seek to achieve a separable result. For example, to comply with an external regulation or be accepted by others. On the other hand, internalization of ethical ideals might be regarded as a commitment supported by genuine interest and the inherent satisfaction of improving the ethical tone of the company, as something good in itself, thus, matching with the definition of intrinsic motivation. As a result, we wonder how this genuine interest and ethical commitment are formed or achieved.

According to SDT, moral motivation may occur not only as an innate or internally driven characteristic but also as a progression from externally controlled or non-autonomous to non-controlled or more autonomous motivation levels. On the one hand, intrinsic motivation emerges by identifying values and goals as one's own (Krettenauer, 2020). On the other hand, according to this theoretical approach, extrinsic motivation can be categorized into four types, ranging from less to more autonomous: external regulation, introjection, identification, and integration (Deci et al., 2017).

As a result, external regulation reflects the most fundamental and non-autonomous level of motivation, such as acting to avoid a sanction or earn a reward. It has an instrumental goal and is inconsistent with moral motivation (Curren & Ryan 2020).

Introjection is a more autonomous kind of extrinsic motivation because internal factors such as ego-involvements, remorse, concern with status and recognition, and not being accepted by others influence behaviors rather than external controls (Deci et al., 2017).

On the other hand, senior management would see the importance and moral worth of implementing an E&C program because of identification. It would act from values and action-
guiding principles that they consider their own, making them morally motivated (Curren & Ryan, 2020).

Finally, as the most autonomous form of internalized motivation, integration implies that senior management fully assimilates and integrates the moral value of E&C programs. It results in "holistic motivational coherence" in which senior management's "ownership of values and principles would be more seamlessly deployed in response to the complex particulars of the situation" (Curren & Ryan, 2020). As a result, integration allows senior management to become authentic and committed to E&C programs (Hofeditz et al., 2017).

6. The how: the E&C programs' features and characteristics and how they operate

According to the conceptual framework that we present, the reasoning behind senior management’s decision to develop an E&C program, and the moral motivation that it entails, are related to (1) the moral maturity of the program; (2) its orientation and approach to behavioral expectations; (3) the type of control used - coercive or enabling-, and with the way of exercising authority - order and command or self-regulation; (4) their scope and formal or informal components; and (5) the degree of integration into day to day activities of the company.

6.1. The E&C program’s moral maturity

This sub-section explains how SDT overlaps with Cognitive Moral Development’s theory (Kohlberg, 1969; Kohlberg, 1976) and how it allows us to delineate different stages in the E&C programs’ moral maturity.

We define E&C programs' moral maturity as the extent to which moral considerations are present in senior management's decision to establish them. In other words, it entails the extent to which senior management is morally valuing the E&C program. We, therefore,
suggest that the presence and type of moral considerations characterize the organization’s moral sophistication, which is, as we posit here, reflected in its E&C program.

We will be guided by Lawrence Kohlberg’s cognitive moral development framework (see Falkenberg, 2004 for a similar theoretical proposal on ethical maturity of corporate moral reasoning).

*STD* proposes various levels of motivation that vary according to the level of autonomy they represent. From a moral standpoint, the extent of autonomy allows us to determine whether there is a moral motivation. Similarly, Kohlberg's Cognitive Moral Development theory -CMD- (Kohlberg, 1969; Kohlberg, 1976) asserts that full moral development occurs only when autonomous or self-determined reasoning. Previous research (Arvanitis, 2017; Kaplan & Tivnan, 2014) considers parallels between *SDT* and *CMD despite methodological and epistemological differences*. As a result of integrating both approaches, we can link the motivation that drives the decision to establish an E&C program and its moral maturity.

It should be noted that Kohlberg's theory is primarily concerned with studying cognitive moral development in individuals. However, it has also been used in the field of business ethics and organizations (Cullen et al., 1989; Logsdon & Yuthas, 1997; Reidenbach & Robin, 1991; Sridhar & Camburn, 1993; Treviño, 1986; Treviño, 1992; Victor & Stephens, 1994)

Despite this, Kohlberg's theory presents some specific weaknesses that have led to criticisms that question its assumptions and applicability, particularly in Business Ethics (Fraedrich et al., 1994). For example, the moral reasoning that underpins this theory favors a Kantian’s Moral Philosophy of rights and justice over other normative ethical theories that describe what is “the right thing to do,” such as Gilligan's Ethics of Care (1993) or Virtue ethics (Alzola, 2015; Koehn, Daryl, 1995). This constraint obstructs adopting a more
integrative approach to various ethical theories that should be considered in corporate ethics (de Colle & Werhane, 2008). Furthermore, the invariance of the different moral development stages' sequences takes out the feasibility of fully applying this theory to business ethics, as there may be situations where corporations regress in their moral development or use alternative moral reasoning depending on the situation (Fraedrich et al., 1994).

We assume the restrictions above while also keeping in mind that organizations' moral maturity does not evolve in the same manner that individuals' do (Reidenbach & Robin, 1991). Nonetheless, we believe Kohlberg's theory depicts moral reasoning in a way that helps in visualizing the effects of the many motivational forces outlined by SDT on the E&C program’s moral maturity. We posit that the maturity stages’ sequence is not invariable and assume that circumstances, such as leadership changes, could trigger retrocession or even a considerable advance in the maturity process.

CMD (Kohlberg, 1969; Kohlberg, 1976) classifies moral development into three stages: pre-conventional, conventional, and post-conventional. Besides, Kohlberg distinguishes two stages of moral development within each of these levels. According to this theory, at a pre-conventional level, senior management would adopt E&C programs to avoid potential legal sanctions against them (stage one) or gain benefits for the organization such as reduced corporate criminal liability or competitive advantage (stage two). These two stages are intertwined with SDT's externally regulated motivation. At this point, the E&C program appears to be devoid of moral considerations. Relying on Reidenbach and Robin's (1991) conceptual model of corporate moral development, we could even speak of "an amoral" E&C program.

Besides, these stages of E&C programs’ moral maturity could indicate that the firm has no moral identity and has developed a narcissistic character (Duchon & Drake, 2009), defined as extreme egocentrism and a high sense of self-importance. That organizational
character may lead to the rationalization and justification of any behavior pursuing the organization’s self-interest (Duchon & Drake, 2009). A narcissistic character contributes to blurring the moral dimension of business activities. These organizations run a higher risk of developing E&C programs that are purely formal and do not include elements that positively impact behaviors. This idea is consistent with empirical research findings that link a lack of ethical commitment to a proclivity to use easily decoupling initiatives and practices (Weaver et al., 1999). In other words, these companies “confuses the image of virtue with the authentic practice of virtue (Duchon & Drake, 2009, p. 306)

On a conventional level, the decision may be motivated by a desire or concern for the company’s external legitimacy. In other words, the E&C program would be established because that is what the industry, the media, or civil society expects (stage 3). From the perspective of Institutional Theory, the decision to implement an E&C program would follow the prescriptions of the institutional environment and could contribute to demonstrating that the company is acting on collectively valued purposes appropriately and adequately (Meyer & Rowan, 1977). This stage overlaps with the introjected motivation of SDT.

However, within the conventional level, there would be a higher stage of development in which the decision would be made concerning law and order (stage four). In this case, the company acts not out of fear of legal authorities or regulatory bodies but because it recognizes the importance of laws in maintaining social order and contributing to the common good (Trevino, 1992). Their understanding of proper behavior is equated to the content of the law, and an E&C program would enable the company to meet that expectation of behavior. We also anticipate that the moral principles entailed by legal requirements or societal expectations will be identified and considered at this stage. The law would be upheld except in extreme cases where it conflicts with specific fixed social duties (Trevino, 1992). According to SDT, this would be an identification-based motivation. INCLUIR A LOZANO
Finally, at the post-conventional level, a company's decision to implement an E&C program would imply a greater understanding of the environment and society. Compliance with the law is regarded as necessary, but only in the context of the social contract and the presence of principles and rights that must be safeguarded regardless of popular opinion (stage five). The values and moral standards that govern society are integrated. Creating an E&C program would result from congruence and consistency in protecting and respecting those values and principles, including laws. According to SDT, even though there is extrinsic motivation, in this case, the source of coercion is no longer external. It has been fully integrated into the organization and has become an integral part of its identity. We would be dealing with a completely autonomous action. However, according to CMD, at the post-conventional level, there is another stage of moral development (stage six) in which decisions are guided not by an extrinsic motivation but by ethical values or principles of justice and human rights protection that managers self-select. These are values or principles that are in line with societal expectations, but they were not chosen for that reason (Trevino, 1992)

Nonetheless, we expect to overcome Kohlberg's bias toward a Kantian ethical approach recognizing that moral motivation can be aligned with different ethical theories (de Colle & Werhane, 2008). Therefore, we are considering a broader perspective that includes different ethical approaches to what constitutes ethical conduct.

According to SDT, intrinsic motivation exists when regulation is born and integrated entirely within the individual. There would be a decision that was completely autonomous and self-determined. In this case, the E&C program would be taken from the genuine ethical commitment of those in charge of the organization and viewed as directly reflecting senior management's moral identity.

Reidenbach and Robin (1991) concluded that they could not identify any corporations that fit into the highest stage of moral maturity. This idea is consistent with Kohlberg's
conclusion that most people remain conventional and that it is only in exceptional
circumstances that we can find thoroughly principled people. Furthermore, due to the
complexity of the context and the various logics and interests at stake, we infer that it would
be even more difficult at the organizational level. Figure 2 depicts the relationship between
these two theories and how they can help to explain senior management’s decision to
implement an E&C program.

Figure 2. Motivation and moral maturity in the establishment of ethics and compliance programs in
companies

<table>
<thead>
<tr>
<th>Cognitive Moral Development Levels</th>
<th>Pre-conventional level</th>
<th>Conventional level</th>
<th>Post-conventional level</th>
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</thead>
<tbody>
<tr>
<td>Stage</td>
<td>Stage 1 &amp; 2</td>
<td>Stage 3</td>
<td>Stage 4</td>
</tr>
<tr>
<td>Reasons why the senior management decide to implement E&amp;C program</td>
<td>Self-interested and instrumental</td>
<td>Stereotypical “good behavior”</td>
<td>Law &amp; Order</td>
</tr>
<tr>
<td></td>
<td><strong>E&amp;C program will allow the corporation to avoid punishment or to obtain a competitive advantage</strong> (Marketplace orientation)</td>
<td><strong>E&amp;C program will allow external legitimacy</strong></td>
<td><strong>Valuing the role of the law for the common good. E&amp;C program contribute to law &amp; order</strong></td>
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<tr>
<th>Motivation</th>
<th>Extrinsic</th>
<th>Intrinsic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory style</td>
<td>External Regulation</td>
<td>Introspection</td>
</tr>
<tr>
<td>Perceived locus of causality</td>
<td>Extrinsic</td>
<td>Somewhat external</td>
</tr>
<tr>
<td>Regulatory process (What is the end of developing E&amp;C program?)</td>
<td>Avoiding punishment or obtaining a reward</td>
<td>Seeking approval from self and others</td>
</tr>
<tr>
<td>Degree of autonomy</td>
<td>Controlled motivation (Non-autonomous)</td>
<td>Moderately Controlled Motivation</td>
</tr>
</tbody>
</table>

Source: Authors. Based on Self-Determination Theory (Deci et al., 2017; Gagné & Deci, 2005; Ryan & Deci, 2020) and Cognitive Moral Development Theory (Kohlberg, 1969; Kohlberg, 1976; Trevino, 1992)

6.2. The E&C program’s orientation (behavioral expectations)

Weaver et al. (1999a, p. 54) found that “much of the guidance for how programs are
implemented comes from a firm’s top managers and their commitment to ethics. Thus,
management’s moral outlook must be viewed as an important influence”. Our proposed
conceptual framework explains how senior management’s moral outlook develops and

24
influences E&C programs’ orientation. Instead of the traditional continuum compliance versus values-based, we propose three orientations: protection to senior management & corporate defense, legal compliance, and ethics. We explain below the rationale for this distinction.

According to Hofeditz et al. (2017), there are four major pairs of opposites describing the way E&C programs may manage behavior: (1) legal compliance vs. integrity, (2) compliance vs. values, (3) coercive vs. enabling, and (4) command-and-control vs. self-regulation. These four orientations would derive their opposites from the extrinsic and intrinsic motivations explained in our model. Nevertheless, each of these pairs of orientations should be understood as a continuum and not as mutually exclusive stages.

Previous research on the topic has consistently identified two main approaches to the standardization of behaviors in organizations: a legal compliance-based or a legal orientation of ethics on the one hand and a values-based orientation on the other (Argandona, 2004; Arjoon, 2005; Gabel et al., 2009; Paine, 1994; Stansbury & Barry, 2007; Trevino et al., 1999; Weaver et al., 1999; Weaver et al., 1999; Weaver & Treviño, 1999). The former seeks to ensure legal compliance while also focusing on the organization’s defense and protection against potential legal processes or sanctions. On the other hand, values-based or ethics-based programs focus on the pursuit of corporate integrity by developing values motivated by ethical principles or aspirations of being shared by all managers and employees.

A legal compliance-oriented approach to ethics equates ethical behavior with legal and regulatory compliance, and thus legal requirements are seen as the maximum behavioral standard. It also emphasizes formal rules and policies, vigilance, supervision, and discipline. In contrast, a values-oriented approach appeals to employees’ aspirations for ethical behavior, and legal requirements are the minimum criteria to attain it. It emphasizes counseling, education, and role modeling. However, such approaches are not mutually exclusive. They do not entail a dichotomy, but they have been dichotomized to understand the process. When
used together, they can produce positive results (Paine, 1994; Trevino et al., 1999; Weaver et al., 1999; Weaver & Treviño, 2001).

It would be appropriate to paraphrase Kant and say that rules are blind without principles that guide them, and principles are hollow without regulations that make them operational. Indeed, a values-driven program can and should coexist with rules-setting and the proper application of discipline and control. Previous research on the topic (Trevino et al., 1999; Weaver & Treviño, 1999; Weaver & Treviño, 2001) concludes that the presence of a values orientation is more successful in positively impacting employee behavior. However, if employees perceive a compliance approach, the results concerning the program's effectiveness, particularly in reducing unethical behaviors, are also significantly positive. On the other hand, raising awareness about the consequences of noncompliance with laws and regulations prevents legal violations and increases motivation to report them (Warren et al., 2014). In summary, the effectiveness of the E&C program is determined by an appropriate combination of approaches or perspectives, and a balance is always required because an excessive focus in one sense or another can become ideological and harm the plural nature of ethics programs in organizations (Martineau et al., 2017) INCLUIR EXPLICACION

However, in addition to these two widely accepted approaches, Treviño et al. (1999) also provide two additional perspectives: (1) concern for stakeholder satisfaction; and (2) protection of senior management.

Protection of senior management orientation reveals a precise instrumental goal that connects to STD's externally regulated motivation, which is focused on avoiding punishment, as discussed at supra. It would also be related to the firm's legal strategy and the goal of limiting criminal liability (Laufer, 1999) and, thus, a corporate defense approach. According to the conceptual framework we developed in this paper, it corresponds to the lowest level of moral maturity. It requires a different approach than the one associated with stereotypical
good behavior or law and order maturity levels, which we associate with a legal-compliance orientation.

On the other hand, concerns about stakeholder satisfaction relate to Corporate Social Responsibility and how senior management develops organizational procedures to meet stakeholders’ expectations (Logsdon & Yuthas, 1997). In this sense, we anticipate that this orientation will differ depending on how senior management perceives the organization and stakeholder relationships. We use Logsdon & Yuthas’ (1997) organizational moral development and stakeholder orientation model to explain how stakeholders’ needs could be addressed in each of the three E&C program’s orientations we propose. According to this model, in a senior management protection-based orientation, stakeholders would only be regarded for instrumental reasons, and top managers’ self-interest would govern decisions. In a legal compliance-based orientation, stakeholders’ relationships would be limited to those governed by laws and regulations. Finally, the firm would adopt a broader stakeholder’s orientation in an ethics-based orientation, including non-market-based relationships.

However, Martineau et al. (2017) openly question the traditional dichotomy of ethics vs. compliance and urge a more pluralistic and multidimensional approach. They argue that the high complexity of the business world necessarily requires a more subtle and complex view of organizational ethics management. That view includes a broader range of practices for introducing ethics into the company, rather than just the traditional emphasis on legal compliance or alignment with corporate ethical values. They propose a model with six orientations, considering the variety and typology of elements or practices that make up these programs: (1) structural (resources and personnel); (2) socio-environmental; (3) consultation-participation (4) experiential development; (5) detection and (6) normative. These orientations are not mutually exclusive either.
On the other hand, these authors emphasize that the dominant ethical orientation will vary depending on the type of organization, with normative and socio-environmental orientations carrying the most weight in most organizations. Furthermore, the presence and significance of one or more orientations would be related to the most relevant internal logic and way of understanding business and management (Martineau et al., 2017).

The model developed by Martineau et al. (2017) reflects the complex context in which these programs are designed and incorporates other aspects of an organization's ethical dimension, such as Corporate Social Responsibility (CSR) or Social and Environmental Sustainability. It also helps to facilitate and broaden managers' and employees' understanding of its ethical dimension. However, we believe it is compatible with our distinction among orientations toward protecting senior management, legal compliance, and ethics. The orientations they present can be categorized and implemented within at least one of those three approaches. A social and environmental orientation, for example, would fit into an ethics-based approach because it incorporates a moral dimension to business activities. The normative orientation could take either a legal – the law states what the right thing to do is- or an ethics-based approach -ethical considerations, beyond the law, should govern decision-making-. Something similar can happen with structural orientation. Depending on the E&C program's approach, the company may hire a lawyer for the Ethics & Compliance Officer position - protection to senior management or legal compliance-based approach -or an ethics management professional - an ethics-based approach. Topics discussed in ethics committees, on the other hand, could be a strictly legal or corporate defense – compliance or senior management’s protection oriented-or they could also include moral discussions –ethics-based-.

6.3. Internal controls’ approach
Research also suggests that the program's orientation is related to how senior management understands control execution. This circumstance influences the orientation of E&C programs toward a more regulatory and command-and-control approach or self-regulation and employee commitment to organizational values (Stansbury & Barry, 2007; Tyler & Blader, 2005; Weaver & Treviño, 1999). Furthermore, Stansbury and Barry (2007) emphasize the role of internal control practices in redirecting the organization's activities toward cooperation and results. They argue, however, that how the control is exercised can have negative consequences. Control, according to their research, can be coercive or enabling.

A coercive control approach is overly concerned with detecting and disciplining violations and connected to a compliance-based orientation. It would imply that the company does not trust its employees or believes they are not morally competent (Stansbury & Barry, 2007)

On the contrary, a values-based orientation generally corresponds to enabling controls, characterized by providing employees with guidance and clarifications on the set of values and goals that a given action should strive to meet (Stansbury & Barry, 2007). Unlike coercive controls, this type of control and supervision relies on employees' trustworthiness.

6.4. E&C program’s scope and contents: explicit and implicit components

When attempting to standardize employees' and managers' ethical behavior, firms do not only establish formal mechanisms and procedures but also engage in other types of everyday actions that, implicitly, have a significant impact on the effectiveness of the formally established program (Brenner, 1992; Kaptein, 2009; Majluf & Navarrete, 2011; Martineau et al., 2017; Tenbrunsel et al., 2003; Trevino et al., 1999). Following Majluf & Navarrete's (2011) conceptual model, we distinguish between explicit and implicit components.
The explicit component of E&C programs consists of the standards, methods, procedures, processes, management tools, structures, or institutions that the company formalizes to publicize and monitor the implementation of its values and behavioral expectations (Majluf & Navarrete, 2011). These formal components comprise what is commonly referred to as formal ethics programs (Kaptein, 2009) and are defined as the organization's formally expressed intentions (Tenbrunsel et al., 2003). Examples include ethics codes, whistleblowing procedures or hotlines, formal training and awareness initiatives, or control and monitoring processes.

The number of formal elements in an E&C program determines its scope. The scope is more influenced by environmental or external forces such as managers' awareness of legal or regulatory requirements or media attention than the senior management's commitment to ethics (Weaver et al., 1999a).

Kaptein (2015) suggests that the broader the scope, the more effective the program will be in improving organizational ethical culture and, as a result, preventing unethical behavior. However, research also suggests that when a formal E&C program is motivated by extrinsic reasons, its relationship with ethical culture becomes weaker, and a more significant number of elements would not improve it (Kaptein, 2010). Such could be the case if other organizations in the industry to which the company belongs had implemented these programs, and the company just reproduced their implementation as something formal and cosmetic that had no real impact on the company's daily routines and practices (Parker & Nielsen, 2009). That would be consistent with previous research recognizing that E&C programs, regardless of the number of initiatives they include, can be decoupled from the organization's daily routines (MacLean et al., 2015; MacLean & Behnam, 2010; Weaver et al., 1999).

According to the conceptual framework we delineate, behavioral expectations and control orientation influence the E&C components. We posit that protection of senior
management or legal-compliance orientations would lead to formal rules and policies, such as a code of ethics, written in a more legalistic language and tone, particularly considering the type of motivation that entails -self-interest & instrumental, stereotypical “good” behavior or law & order-. On the contrary, we posit that an ethical tone and plain language will be more present in the formal policies and rules when programs fully integrate society’s values and moral rules or are fully morally motivated -intrinsic motivation-.

Furthermore, Tenbrunsel and colleagues (2003) point out that in addition to the formal elements, it is necessary to consider the subtle or informal signals or messages that members of the organization receive about what is genuinely regarded as appropriate from an ethical standpoint. These informal elements comprise the implicit component of the E&C programs described in Majluf et al. (2011).

According to academic research (Brenner, 1992; Brown, 2006; de Colle & Werhane, 2008; Kaptein, 2009; Kaptein, 2010; Majluf & Navarrete, 2011; Resick et al., 2006; Trevino et al., 1999), those subtle signals or messages are what most influence an organization's ethical behavior.

The leaders' concern about ethics, the fair treatment of employees, ethical behavior truly valued and rewarded, ethical considerations included in discussions and decisions, and a focus on stakeholders' legitimate expectations rather than the company's self-interest are examples of these signs. When combined with the formal aspects of the E&C program, these more informal or implicit components enable the development of corporate culture, which directly impacts employee behaviors and attitudes (Kaptein, 2010; Trevino et al., 1999).

The values, beliefs, assumptions, experiences, and expectations of managers and employees about how the organization prevents them from acting unethically and encourages them to act ethically comprise corporate ethical culture (Kaptein, 2009).
According to Treviño and colleagues (1998), ethical culture influences what is considered legitimate or unacceptable in an organization. We posit that when senior management equates ethical behavior with just legal and regulatory compliance, the company will develop a legal compliance culture. That is to say that the shared beliefs about doing the right thing will mainly focus on the importance or legitimacy of legal compliance (Langevoort, 2017).

On the contrary, the firm will develop a genuine culture of ethics only when the senior management’s approach to ethics is integrity-based and focused on protecting society’s values and moral rules or determined by self-chosen moral values or principles, promoting behaviors that go beyond the law.

In this context ethical leadership and senior managers’ commitment to ethics are critical because their social position of power can and should be used to manage the organization's ethical responsibility to motivate and inspire employees and promote the necessary strategies (Resick et al., 2006). Firms’ integrity reflects their leaders' integrity (Brown, 2006), and an appropriate tone in management and ethical leadership are the elements with the most power to shape the company's culture and ethical climate (Beeri et al., 2013; Hanson, 2015; Majluf & Navarrete, 2011). Only those leaders that walk the talk may positively contribute to corporate ethical cultures.

6.5. E&C programs’ degree of integration into daily corporate routines and business activities

According to the international standard applied in practice to Compliance Management Systems ISO 37301 (ISO, 2021 p. 7), one of the first leadership responsibilities of governing bodies and top management is “ensuring the integration of the compliance management system requirements into the organization’s business processes.”
Previous research argues that E&C programs can vary in how their explicit components can be organizationally integrated or easily decoupled from day-to-day routines and activities (Weaver et al., 1999c).

Meyer and Rowan (1977, p. 343) pointed out that "many of the positions, policies, programs, and procedures of modern organizations" are enforced by external constituents. They may become rational myths whose legitimacy is based on the supposition that they are rationally effective. Thus, these outside pressures can lead corporations to establish formal E&C programs only as mechanisms that allow them to preserve their external legitimacy - for example, before regulatory bodies or the industry-. These measures may become window-dressing, decoupled from the day-to-day organizational activities, and ineffective (MacLean et al., 2015; MacLean & Behnam, 2010). As Meyer and Rowan (1977: 357) point out, "[…] decoupling enables organizations to maintain standardized, legitimating, formal structures while their activities vary in response to practical considerations”.

In that sense, Weaver et al. (1999c) empirically confirmed their hypothesis that, with mere external pressure, if managers are primarily concerned with financial, strategic, or operational issues, E&C programs’ practices are decoupled. That is when leaders give the impression that they are using the ethics program to protect themselves or are not genuinely committed to ethics. Employees will see a misalignment between word and deed, which may lead them to perceive that the organization is decoupling its ethics program from its practices (MacLean et al., 2015). On the contrary, management's commitment to ethics – and thus, moral motivation- favors the E&C program’s practices or integration into the organization's processes and activities.

When E&C programs are part of daily organizational activities, they support the effects of senior management's ethical leadership on ethical behavior and ethical climate (Yagmur, 2020). On the contrary, easily decoupled E&C policies and procedures lead to
negative internal legitimacy fomenting employees’ perceptions of organizational cynicism and psychological contract breach while unethical behavior persists and proliferates (MacLean et al., 2015).

7. What are the outcomes of the E&C programs?

This section highlights the E&C programs’ outcomes by describing how these initiatives may affect employees, the organization, and society depending on the type of senior management’s moral motivation that underlies their implementation process. We also pretend to reinforce the understanding that senior management's exclusive focus on avoiding punishment or obtaining a competitive advantage when establishing these programs corresponds to a deficient moral maturity process far away from the ethical commitment research highlights as a necessary condition for contributing to corporate integrity. Therefore, we adopt a micro, meso, and macro perspective to help visualize the value-added and go beyond an instrumental, narrow-legalistic, and corporate defense approach.

Our conceptual framework represents the connection among these three outcomes linearly, considering first the influence on employees’ perceptions of the program’s legitimacy as the trigger for their commitment and ethical decision-making and behavior. Then, we have considered how ethical behavior may impact the organization in three aspects: reducing fines and penalties, firm performance, and a reputation based on integrity and trustworthiness. Finally, we identify how E&C programs may contribute to the fight against corruption, fulfill other Sustainable Development Goals milestones, and attend to stakeholders' expectations as critical contributions to society.

7.1. Outcomes concerning employees

Research highlights the critical role employees’ perceptions play in the E&C program’s efficacy (Beeri et al., 2013; Pelletier & Bligh, 2006; Trevino et al., 1999; Trevino
& Weaver, 2001; Treviño et al., 1998; Weaver & Treviño, 2001). We explain below how these perceptions materialize and what the results are.

7.1.a. The E&C program’s internal legitimacy.

The E&C program’s internal legitimacy refers to employees' perceptions of the suitability or acceptance of the E&C program (MacLean & Behnam, 2010), but also of the Ethics and Compliance Officers (ECOs) that manage them (Trevino et al., 2014). As Tyler points out (2006), legitimacy is linked to the human desire to make sense of existing social arrangements by equipping them with the assessment that they are appropriate and reasonable. Thanks to legitimacy, people follow a decision or norm voluntarily and not out of fear or desire to be rewarded. In this way, being legitimized is essential for the success of an authority, an institution, or a social system. Legitimized institutions’ influence will be based on the possession and use of power and the ability to obtain the acceptance or voluntary approval of those subject to its scope of application.

Ethics or compliance initiatives perceived as legitimate will induce an internal motivation to obey the established rules and procedures, even in the absence of supervision (Tyler et al., 2008). Research in Business Ethics and Psychology also suggests that a values-based ethics program positively impacts employees' perceptions and motivates voluntary compliance (Paine, 1994; Trevino et al., 1999; Tyler et al., 2008; Tyler & Blader, 2005).

When corporations do not walk their talk, employees tend to perceive that the program is purely aimed to protect the company or achieve external organizational legitimacy and improve the corporate image, but without changing how the business activity is carried out. As a result, internal legitimacy is negatively impacted (MacLean et al., 2015; MacLean & Behnam, 2010).

Employees’ perceptions of the programs’ legitimacy will be negatively impacted if, for example, senior management’s actions and decisions are not aligned with the formal
content of the program – i.e., the code of ethics- or if unethical conduct is not duly investigated and sanctioned (Baradacco & Webb, 1995). That will also be the case if offenders are not punished equally regardless of their rank or position (Healy & Serafeim, 2019), which is related to the role played by procedural justice in legitimation processes (Tyler et al., 2008; Tyler, 2006).

7.1.b. Employee’s commitment to the organization.

The E&C program also significantly impacts employees’ commitment to the organization (Trevino et al., 1999; Weaver & Treviño, 2001). As Weaver and Treviño (1999) explain, when employees perceive that the organization supports their goals and cares about their well-being, it generates a feeling that, in return, they are bound to support the company's goals. According to these authors, a values-based orientation can be perceived as support for employees. It suggests that employees are already committed to ethical behavior and are trusted.

On the contrary, when employees perceive that the predominating ethical climate is focused on the organization’s self-interest, and the E&C program is a mere instrument to protect senior management and shift the blame to employees in case of breaches or ethical failures, the level of commitment and the desire to collaborate by reporting problems to management will decrease (Treviño et al., 1998; Weaver & Treviño, 2001).

7.1.c. Decision-making process and ethical behavior.

Companies' legal and ethical compliance depends on their managers' and employees’ behavior (Haugh, 2017). E&C programs affect the ethical decision-making of individuals, which in turn affects the ethical behavior of organizations and their ethical vulnerability (Ullah et al., 2019). Therefore, E&C programs must be dynamic enough to encompass a better understanding of human behavior and establish a regulatory system that can correctly address the behavioral trends of individuals (Weber & Wasiesleski, 2013).
However, acting ethically is not easy (Trevino & Brown, 2004). Ethical behavior results from a complex process consisting of different stages, which begins from the very moment individuals can identify that they are facing a moral issue or dilemma (Jones, 1991). In addition, applying ethical principles is more complicated than simply following a law or complying with a rule (Michael, 2006). Secondly, although most managers and employees try to make ethical decisions, good people can commit unethical actions in a complex context such as a company because self-interest leads them to rationalize and justify behaviors (Haugh, 2017). Human behavior in an organization is not only influenced by a control’s environment but also by other factors such as cognitive biases, individual’s moral development and the prominence of ethical values, peers, or different sorts of pressures in the organizational context, and even moral intuitions and emotions (Eisenberg, 2000; Iscenko et al., 2016; Kish-Gephart et al., 2010; McKendall et al., 2002; Treviño et al., 2006).

According to our definition of E&C programs, employees’ decision-making processes and behaviors are a visible outcome formal E&C programs may influence. According to Rest (1986), this process consists of different steps: (a) recognizing a moral issue -moral awareness-, (b) deciding which action is the right one -moral judgment-, (c) having the intention to act according to that decision -moral intention or motivation-, and finally (d) carrying out the action considered morally correct -ethical behavior. Whether the behaviors are ethical – in the broad sense used in this work – and aligned with the expectations of conduct formally expressed by the organization may depend mainly on its ability to influence each of the different phases that this process entails. Therefore, the program can and should impact the cognitive process that entails adopting ethical decisions of individuals.

Previous research has concluded that E&C programs may positively influence the different stages of ethical decision-making. For example, formal elements used in combination such as ethical codes, a recurrent formal or informal communication of the
organization’s values and principles, and the existence of effective monitoring and sanction mechanisms, can contribute to increasing employees’ moral awareness and improve moral judgments (Chui & Grieder, 2020; Rottig et al., 2011; Warren et al., 2014). In addition, the presence of a code of ethics in smaller companies seems to be related to an improvement in ethical judgment (Fernández & Camacho, 2016; Valentine et al., 2019) and employees’ internal locus of control and, therefore, to intrinsic motivation to act ethically (Valentine et al., 2019). Besides, employees’ perceptions that a code of ethics, ethical training, or ethically oriented employees’ performance assessment was strongly implemented were related to higher levels of ethical intention (Ruiz et al., 2015).

However, it should be noted that people’s behavior is not always preceded by moral reasoning and, therefore, would not correspond to a process as rational or deliberative as suggested by the ethical decision-making model traditionally used as a reference (Kish-Gephart et al., 2010; Treviño et al., 2006). Alternatively, Haidt (2001) proposes that moral judgment is primarily the result of an intuitive and non-rational response to certain situations or events and suggests that moral reasoning is generated after that judgment has been reached – it is a post hoc construction. This model emphasizes the importance of social and cultural influences and is closely linked to moral emotions and how they can influence moral intent and action (Eisenberg, 2000; Haidt, 2003). Therefore, moral emotions such as guilt, shame, or empathy play a fundamental role in studying moral development and behavior (Eisenberg, 2000). Accordingly, to become effective, we suggest that an E&C program should also contemplate how it can impact employees’ intuitions and emotions and improve decision-making processes and ethical behavior within the organization.

Finally, research highlights the essential role that E&C programs’ informal elements, such as ethical culture and ethical climate, play in employee’s behavior (Kaptein, 2009; Kaptein, 2010; Kish-Gephart et al., 2010). According to Kaptein (2009), formal E&C
programs are strongly related to the ethical culture of organizations. However, according to this study, ethical conduct should be considered a multidimensional construct, and not every E&C program’s formal component would positively impact every ethical culture’s dimension. Therefore, to impact ethical culture and thus behaviors, firms should first identify what ethical culture dimensions need to be improved and adapt the scope of the E&C program accordingly. That also implies that the formal E&C programs can influence ethical behaviors indirectly through ethical culture (Kaptein, 2010).

7.2. Outcomes concerning the organization

The E&C programs’ influence on employees’ perceptions, attitudes, and behaviors impacts the organization itself. We briefly summarize below the outcomes these programs may produce at the organizational level and how ethics-oriented E&C programs have positive results for those companies that dare to put them into practice.

7.2.a. Reduction of fines and penalties

Research emphasizes that less unethical or illegal behavior is a crucial outcome and an indicator of effective E&C programs (Trevino et al., 1999). Therefore, E&C programs may entail a reduction of sanctions or penalties, which is precisely one of the incentives companies have when establishing them (Ferrell et al., 1998). This outcome could be measured through the number of legal infractions produced, fines imposed, or bad press (Reynolds & Bowie, 2004). However, some research suggests that not all companies that have followed all the established guidelines on designing and implementing these programs commit fewer legal violations (McKendall et al., 2002). The mere existence of an E&C program does not imply that it is effective. What indeed contributes to reducing unethical behaviors is the organizational ethical culture. As we argue ut supra, E&C programs’ formal components can and should influence the firm’s ethical culture. Thus, it is the ability to positively impact that culture that will determine the effectiveness of a formal ethics program (Kaptein, 2011).
Therefore, we may conclude that an ethics-based E&C program that cultivates the appropriate ethical culture will reduce unethical behaviors and thus reduce legal penalties and fines.

7.2.b. Firm performance

Another critical result, closely related to the previous one, is the firms’ performance improvement.

According to the study carried out by Majluf and Navarrete (2011), ethical behavior is associated with better financial results, or at least, that is the expectation employees have. However, as Welch suggests (1997:310), the doctrine "good ethics is good business" has somewhat negatively impacted the credibility of ethics in business by implying that it is enough to be ethical to achieve business success. Therefore, it seems more reasonable to defend the idea that ethics impact financial results not in the short term but in the long term. This idea connects with business sustainability as a concept that goes far beyond ecology (ref. art. JL Fernández “epistemological approach to the concept of sustainability”).

As Paine (1994) and Welch (1997) pointed out, an E&C program contributes to adding corporate value and should be seen not as a constraint but as a business driver. That is why it is so essential that the E&C function manages to be integrated into the day-to-day processes and activities of the company, creating an interdependence with the business areas (Parker, 2000).

Moreover, Eisenbeiss et al. (2015) found that CEO ethical leadership can benefit firm performance, although it needs support by strong formal and documented control elements embodied in a corporate ethics program. Furthermore, they also revealed that the organizational ethical culture is the mechanism by which CEO ethical leadership relates to firm performance. These findings confirm the critical interplay between formal -explicit- and informal -implicit- E&C program’s elements.
7.2.c. Good reputation based on organizational integrity and corporate trustworthiness

Corporate integrity is at the core sound of business. It emerges as a critical business asset (Koehn, 2005) and contributes to its success by giving a competitive advantage (Bowie, 2010).

According to Maak (2008), corporate integrity requires, among others, commitment to moral values, moral conduct, paying attention to the relationship with stakeholders, coherence between what the organization says and does, and continuity in the sense of maintaining integrity over the time and even when things get rough.

An E&C program that is morally motivated, based on a strong ethical culture that promotes adherence to values that adequately contemplate the interests of its stakeholders and that are exemplified and put into practice by its senior executives will contribute to building trust (Hurley et al., 2013). In this sense, the academic literature points out that, for example, the establishment of effective mechanisms to comply with the law is one of the elements that contribute to the perceived trustworthiness of the organization and the attitude of trust towards it (Caldwell & Clapham, 2003).

Besides, when a firm commits misconduct, stakeholders view the organization differently, and they judge its systems, processes, culture, and management practices to recalibrate their trust (Brown et al., 2016). An implicit E&C program’s component, such as ethical leadership that encourages dialogue and debate on ethical issues may help a company recover from a scandal and contribute to the perception of an ethical climate both inside and outside the organization (O’Connell & Bligh, 2009).

7.3. E&C programs’ contributions to society
Beyond its legal and corporate defense implications, the phenomenon of E&C programs also seems to connect with a new business paradigm that entails an increased awareness of environmental and social issues (Aluchna, 2018; Arribas et al., 2019; Ray, 2019) and the role of corporations as moral agents (Wagner-Tsukamoto, 2009). From this perspective, E&C programs may contribute to initiatives such as the Sustainable Development Goals (SDG) or Global Compact and demonstrate that they are not cosmetic.

For example, an effective E&C program may contribute to the fight against public and private corruption (Beeri et al., 2013; Gordon & Miyake, 2001; Hess, 2009; Pelletier & Bligh, 2006), which is one of the critical SDG milestones for corporations.

It is essential to consider E&C programs from an ethical commitment to society perspective and evaluate their close connection with the social responsibilities inherent to Corporate Social Responsibility (Brenner, 1992). In addition, as corporate citizens, companies play a significant role in preserving and taking care of the community where they carry out their activities (Gabel et al., 2009). That implies that companies play an essential social work that can be enhanced through ethics-oriented E&C programs and incorporating considerations on ethical, social, and environmental impacts on stakeholders into their decision-making processes (de Colle & Werhane, 2008).

8. Theoretical contribution, practical and social implications, and opportunities for future research

Our contributions are threefold: academic, practical, and social. First, we contribute to the business ethics and management literature by broadening the existing conceptual framework for implementing and developing E&C programs. We do so by incorporating senior management’s moral motivation dynamics. Self-Determination Theory emerges as a promising framework to explain senior management’s ethical commitment and moral motivation in establishing these programs. Besides, integrating Kohlberg’s Cognitive Moral
Development theory helps visualize how moral motivation and the level of moral reasoning related to the E&C programs’ moral maturity. It explains how different orientations and approaches influence the programs' orientations interfere with other E&C programs’ features and characteristics, such as behavioral expectations or control execution.

Second, from a practical point of view, senior management’s moral motivation would occur not only as an innate or internally driven characteristic -for example, a virtuous manager-. It would also arise as a well-internalized extrinsic motivation triggered by external institutional pressures such as the legal and regulatory environment or the expectations of other social institutions. There is room for developing ethical organizational leaders. There is an opportunity for the legal and regulatory environment and other external institutional constituents, such as industry or professional associations, to find better ways to increase senior management's moral self-determination and moral conscience and let them fully integrate society’s values and moral rules. As long as E&C programs' primary purpose is to create ethical environments in organizations that enable them to do the right thing, we need leaders that use a moral outlook and understand the moral implications of their actions and decisions. A virtuous leader acts from an inherent interest and satisfaction in being ethical and not for instrumental reasons. Our conceptual framework thus contributes to an explanation of how virtuous leaders can be made and not just born.

Besides, from a professional practice perspective, our conceptual framework reinforces the role of the E&C program’s internal legitimacy as a critical outcome that has not yet been fully addressed in the E&C literature (Treviño et al., 2014). E&C program’s external legitimacy is only a visual illusion if there is no internal legitimacy. E&C program’s internal legitimacy is essential for employees and management compliance. It thus emerges as the cornerstone of the E&C program’s ability to impact employees’ commitment and decision-making positively.
Third, from a social perspective, when senior management is self-determined to pursue ethics and corporate integrity through these programs, impacts go far beyond positively impacting employees' decision-making and behavior. Signaling outcomes at a micro, meso, and macro-level, contributes to broadening the outcomes perspective and overcoming a narrow-legalistic and corporate defense perspective on E&C programs' effectiveness. Visualizing how E&C programs contribute to society, we help visualize how E&C programs can genuinely contribute to the socially responsible behavior of organizations (ISO, 2021). For example, SDG contributions require some proactive initiatives and controls to ensure and promote that they are genuinely put into practice. Otherwise, we run the risk of purely cosmetic and window-dressing initiatives. Positive achievements are possible if E&C programs are in place. The fight against corruption is one of the SDG's most critical milestones E&C programs can positively impact, but they can also contribute to other social and environmental goals. Therefore, our conceptual model aligns with the new business paradigm where corporate purpose exceeds shareholders' interests.

Finally, future research should delve further into senior management’s intrinsic and extrinsic motivation dynamics when deciding to establish E&C programs, testing our proposal empirically, and finding ways for external institutional pressures to increase corporate senior management’s moral awareness and motivation.

Besides, as recent research suggests, decision-making processes are not as deliberative or rational as we assume. Emotions seem to emerge as a factor that can significantly influence individuals' moral intentions and actions. We suggest that future research focus on how emotions may influence the decision to establish E&C programs and how E&C programs impact employees’ behavior from the perspective of intuitive and automatic processes of ethical decision-making in organizations and the role played by moral emotions or intuitions.
Furthermore, considering the role E&C programs’ internal legitimacy plays in triggering employees’ commitment and contributing to the program’s compliance, we cannot disdain those who manage the E&C programs on a day-to-day basis and need to attain their internal legitimacy upwards and downwards in the organization: the Ethics and Compliance Officers (ECOs). Following Treviño et al. (2014), future research should delve further, for example, into their role as critical actors in the E&C program operation and the internal legitimacy challenges they face and how they solve them.

9. Conclusion

E&C programs may positively impact firms’ ethical and legal compliance. However, they require senior management’s intrinsic or fully internalized ethical commitment to improve corporate ethics, not only instrumental motivations such as attaining the firm’s external legitimacy or avoiding legal sanctions. Otherwise, formal E&C initiatives or practices may become merely cosmetic and loosely coupled to the company’s routine work activities. That would imply the risk that the ethical behavioral expectations expressed through formal E&C initiatives are violated and not fully incorporated into decisions processes.

Intrinsic motivation in the form of self-determination and ethical commitment and motivation is undoubtedly a critical factor for creating ethics-based programs and driving to genuine ethical cultures and climates. Nevertheless, using the lenses of SDT, external institutional pressures are still essential because they can incorporate values and principles of conduct that senior management can make their own, integrating them into business activities through E&C programs’ formal and informal elements and generating a type of motivator quite like that which occurs when a decision is intrinsically motivated.

The effectiveness of the E&C program, on the other hand, will ultimately be determined by how employees perceive these programs and, more specifically, how the
program enables ethical decision-making and compliance with the internal rules and procedures it establishes. Furthermore, one of the critical outcomes for the program’s success and effectiveness is that employees internally legitimize the practices and initiatives adopted. The E&C program’s internal legitimacy is a cornerstone of its effectiveness. Only internally legitimized E&C initiatives and practices can create organizational environments that promote ethical behavior, positively impacting the organization and contributing to the firm’s social performance.

Finally, business and society need firms’ leaders whose moral philosophy and organizational strategic vision include an expanded conception of “doing business.”. That means being responsive to the interest of the various stakeholders, a long-term approach, and a profit notion aligned with the triple bottom line (TBL), which is concerned with the economic benefit and social and environmental aspects of accountability.

Therefore, society needs firms with E&C programs that truly enable and exemplify Business Ethics through organizational leaders who have the moral motivation to care about ethical culture and climate and make sure they align with the moral philosophy and organizational strategic vision explained above. Otherwise, institutionalizing Business Ethics will continue to fall on deaf ears.

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60


