



Facultad de Ciencias Económicas y Empresariales

**Ethics and Compliance Programs in a  
Changing Business Paradigm:  
An Inquiry into the Internal Legitimacy  
Challenge and Top Management  
Commitment**

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To all those who have encouraged me over the years to  
not give up and to "shoot for the moon."



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## ABSTRACT

This doctoral dissertation addresses the shortcomings of a purely legalistic view of ethics and compliance (E&C) programs so they may positively contribute to a new business narrative in which ethics is at the core. It aims to shed light on two theoretical issues not yet fully covered in the literature: the internal legitimacy challenge and how a genuine ethical commitment at the top develops and influences these corporate practices. To this end, the dissertation is structured by three studies. The first one (Chapter 1) conducts an integrative review of business ethics and management literature based on a semi-systematic search. It aims to map current knowledge and develop a holistic and comprehensive model that connects the causes and motivations (why), key attributes (how), and outcomes (what) of E&C programs. The second study (Chapter 2) uses qualitative-interpretive research based on semi-structured interviews with 20 Ethics and Compliance Officers (ECOs) to unravel the barriers that may exist to the internal legitimacy of these practices. Finally, a third study (Chapter 3), recently published in *Business and Society Review*, builds on Kohlberg's six stages of moral development as applied to managers' moral thinking to theorize how top management's moral valuing of these practices develops and projects onto the E&C programs' features and characteristics.

The dissertation makes several contributions to the E&C literature. First, it proposes a contemporary and holistic theoretical model of E&C programs. Second, it advances previous literature by introducing the concept of barriers to E&C programs' internal legitimacy and theorizing how employees' legitimacy evaluations (instrumental, relational, and moral) about these practices might operate, contributing to applying legitimacy theories to E&C management. Third, it provides a framework to explain how different levels of moral reasoning affect top managers' commitment and support for E&C initiatives. It also presents four archetypes of E&C programs going beyond the traditional compliance and values-based continuum. Finally, it emphasizes the human aspect of E&C program effectiveness, advocating for a more person-centered approach and suggesting future research using humanistic management theory. However, it also



aims to enhance professional practice and increase awareness of the positive societal impacts of effective E&C programs.

**Keywords:** *ethics & compliance programs, internal legitimacy, legitimacy barriers, legitimacy evaluations, managers' moral valuing, person-centered management, responsible business*



## RESUMEN

Esta tesis doctoral aborda las deficiencias de una visión puramente legalista de los programas de ética y compliance (E&C) para que puedan contribuir positivamente a una nueva narrativa empresarial en la que la ética esté en el centro. Pretende arrojar luz sobre dos cuestiones teóricas que aún no se han abordado plenamente en la literatura: el reto de la legitimidad interna y la forma en la que un auténtico compromiso ético en la cúpula directiva se desarrolla e influye en estas prácticas corporativas. Para ello, la tesis se estructura en tres estudios. El primero (Capítulo 1) lleva a cabo una revisión integradora de la literatura sobre ética y gestión empresarial basada en una búsqueda semi-sistemática para mapear el conocimiento actual y desarrollar un modelo holístico e integral que conecte las causas y motivaciones (por qué), los atributos clave (cómo) y los resultados (qué) de estos programas. El segundo estudio (Capítulo 2) utiliza una investigación cualitativa basada en entrevistas semiestructuradas con 20 Ethics & Compliance Officers (ECO) para desentrañar las barreras que pueden existir para la legitimidad interna de estas prácticas. Por último, un tercer estudio (Capítulo 3), publicado recientemente en *Business and Society Review*, se basa en las seis etapas del desarrollo moral de Kohlberg aplicadas al pensamiento moral de los directivos para teorizar cómo se desarrolla su valoración moral de los programas de E&C y cómo ésta se proyecta sobre sus rasgos y características.

La tesis realiza varias contribuciones a la literatura sobre E&C. Primero, propone un modelo teórico contemporáneo y holístico de los programas de E&C. Segundo, avanza en la literatura previa introduciendo el concepto de barreras a la legitimidad interna de los programas de E&C y teorizando cómo pueden operar las evaluaciones de legitimidad de los empleados (instrumental, relacional y moral) sobre estas prácticas, contribuyendo a aplicar las teorías de legitimidad a la gestión de E&C. Tercero, proporciona un marco para explicar cómo los distintos niveles de razonamiento moral pueden afectar al compromiso y el apoyo de los altos directivos a estas iniciativas. También presenta cuatro arquetipos de programas de E&C que van más allá de la distinción tradicional entre *compliance-based* y *values-based*. Por último, hace hincapié

en el aspecto humano de la eficacia de los programas de E&C, abogando por un enfoque más centrado en la persona y sugiriendo futuras investigaciones que utilicen la teoría sobre gestión humanista. Sin embargo, también pretende mejorar la práctica profesional y aumentar la concienciación sobre las repercusiones sociales positivas de los programas de E&C eficaces.

**Palabras clave:** *ethics & compliance programs, internal legitimacy, legitimacy barriers, legitimacy evaluations, managers' moral valuing, person-centered management, responsible business*



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## COPYRIGHT PERMISSIONS

In this dissertation we include the accepted version of a theoretical study that has been published in *Business and Society Review* (Q2, SJR 2023; Q3 JCR 2024). To maintain the formatting style of the journal complicated the overall design of the dissertation. In these cases, the Universidad Pontificia Comillas statutes allows the researcher to modify font-type, headings style, pages layout, pages number and table/figures design to make it consistent with the rest of the dissertation.

Chapter 3 is based on the published paper. The content is unchanged, but we have renumbered the tables to follow the order in the dissertation. The reference of the published paper is:

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Hernández-Cuadra, E., & Fernández-Fernández, J.-L. (2024). Ethics and compliance programs for a new business narrative: A Kohlberg-based moral valuing model for diagnosing commitment at the top. *Business and Society Review*, 129(1), 72–95. <https://doi.org/10.1111/basr.12345>

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For this dissertation's proofreading we used artificial intelligence tools such as Grammarly and DeepL Write



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## INTRODUCTION



This introduction provides a comprehensive overview of the research topic, its significance, the questions the research seeks to address, and how the dissertation is structured and developed. In doing so, it attempts to guide the reader through the rationale and relevance of this work.

The first two sections outline the research's motivation and context and justify the study's need. The third section articulates the research objectives and questions. Finally, the fourth section provides a general overview of the dissertation, explaining the structure and positioning of the research within the broader academic and practical landscape.

### **1. Motivation and research topic**

This dissertation is a response to the curiosity that arose from observing, during almost twenty years of professional practice, the difficulties in getting employees (including top and middle management) to understand the advantages and benefits of an ethics and compliance (E&C) management system. On many occasions, I found that E&C programs did not generate positive attitudes among the organization's internal audiences. They did not see them as appropriate or desirable. I often thought about this phenomenon and why it was so. I also learned that considerations of the ethical dimension were not usually at the core of business decisions. For example, I was once accused of not being intellectually sophisticated enough when I warned an external consultant that the way they were pretending to change the terms of a financial product to increase the company's profits was not in line with regulatory recommendations and the company's expectations of ethical behavior. Somehow, I experienced that applying ethical criteria in a business context was seen as a hindrance to performance. I also perceived employees needed help understanding the meaning of E&C practices. Somehow, they could not see its utility or "what for" beyond protecting the company and its senior management from regulatory sanctions or other legal liabilities.

Furthermore, I perceived that the employees, particularly in banking, often felt overwhelmed by the number of E&C requirements. Moreover, they frequently thought they were not treated fairly because they believed that not everyone in the company

was required to comply similarly. For instance, I experienced situations where the personal assistant of a top executive was completing the E&C compulsory online training on behalf of her boss. I, therefore, experienced that employees were supposed to fulfill requirements that some senior managers seemed reluctant to address (for instance, the annual code of ethics attestation or on-line training), or they felt like a scapegoat at the expense of top management's protection.

These experiences prompted me to reflect on the challenges of fostering an ethical approach to business and cultivating an ethical culture through E&C programs. It became evident that the actions of the company's professionals, particularly those in influential roles, were pivotal. When these persons did not embody ethics as a fundamental aspect of the business conduct, it posed a significant hurdle to the establishment of an ethical culture.

However, during my professional practice, I have also met managers who instilled a profound sense of ethics, most notably due care and respect for others. They encouraged implementing E&C practices, such as a code of ethics, with a genuine intention to improve the organization's ethics management. The support and trust they showed undoubtedly shaped the development of the E&C initiatives. I thus learned that managers may not just be concerned about receiving but also about giving to others and creating value that goes far beyond the bottom line, attaining status or reputation. There can also be a motivation to instill E&C management beyond corporate defense or external legitimacy concerns. There can be leaders who are humbly and intrinsically motivated to care about creating value and contributing to generate a positive impact on other stakeholders beyond shareholders.

Nevertheless, my subjective experience could only provide a partial approach to studying the phenomenon. Further academic study grounded in scientific research methods was needed to contribute to professional practice. I needed to better understand how these corporate practices operate, how they are perceived inside the organizations, and what companies should focus on to enhance their effectiveness in instilling ethical and law-abiding behavior and contributing to an ethical corporate culture.



## **2. Context: E&C programs in a new business paradigm and why they matter**

Beyond its legal and corporate defense implications, the phenomenon of E&C programs becomes particularly relevant within a new business narrative that includes an increased awareness of the impact of business activities on a wide range of stakeholders. Therefore, understanding whether E&C programs can effectively standardize and promote ethical behavior and avoid harmful practices is crucial in ensuring the integrity of business operations and contributing to responsible conduct.

The business world is experiencing a paradigm shift, reflected in various global or business-specific initiatives such as the Global Compact, the UN Sustainable Development Goals, or Environmental, Social, and Governance (ESG) criteria. Sustainability is now the new buzzword. No business initiative seems to make sense if not accompanied by this term. The question, however, is to what extent this movement reflects a genuine concern for sustainability in its broadest sense or whether it is merely a facade for external acceptance, reputation, and maintaining the social license to operate.

A new business narrative redefines what business success means (beyond maximizing shareholder value) and what is expected as good practice considering the impact of business activities on others beyond minimum legal and regulatory requirements. It emphasizes that companies should consider the interests and well-being of all stakeholders, such as employees, customers, suppliers, communities, and the environment. This paradigm shift is accurately articulated in Freeman's conceptualization of responsible capitalism (Freeman, 2017; Freeman, Martin, & Parmar, 2020), which reinforces the idea that the business of business is ethical business (Kaptein & Wempe, 2002, p. 2). Freeman (2017), argues that this new "story of business" is based on five central ideas: (1) purpose and values matter, (2) business is about creating value for stakeholders, (3) business is embedded in society and a physical world, (4) persons have motivations other than money and self-interest, and (5) business ethics is not an oxymoron. By integrating these ideas, companies can create sustainable value and foster the trust and loyalty that drive long-term success. This new paradigm recognizes that businesses operate in a complex web of relationships and that

addressing the needs and concerns of all stakeholders is essential to ethical and effective management in today's interconnected world. In fact, at the IABS 2022 Conference in San Francisco, a colleague and I had the opportunity to briefly discuss responsible business with R. Edward Freeman. He emphasized the difference between a transaction and a relationship. While the former is purely economic and limited to a moment in time, the latter involves mutual care and concern for each other with a long-term approach. According to Freeman, responsible business requires treating stakeholders as relationships, not just transactions. In this regard, Domènec Melé goes a step further and suggests replacing the term "stakeholder" with the richer term "relation-holder" (Melé, 2024)

In this context, E&C programs emerge as a promising self-regulation and corporate governance mechanism to "create and maintain an organizational environment aimed at producing ethical and law-abiding employees" (Treviño, den Nieuwenboer, Kreiner, & Bishop, 2014, p.86). Moreover, according to the latest international standard for practitioners, ISO 37301:2021, on Compliance Management Systems (International Organization for Standardization, 2021), these corporate practices can contribute to a new business narrative by building socially responsible behavior and successful and sustainable business practices. They also contribute to the institutionalization of ethics in the company (Weber, 1993), thus turning the rhetoric of ethics into action. Therefore, a new business paradigm offers an opportunity to reflect on how E&C programs have traditionally dealt with stakeholders and to what extent they appropriately incorporate a new understanding of business when aiming to prevent E&C risks and improve corporate behavior. Moreover, the core insights of a new business narrative provide a solid foundation for why it makes sense to put ethics and compliance into practice to drive successful business activities.

By contributing to walk the ethics talk, E&C programs can help companies promote socially responsible and sustainable business practices. However, a new business paradigm necessarily requires a new approach to E&C management in the same way as, for instance, it also requires new forms of conceptualizing and accounting value creation -moving beyond shareholders and considering a broad set of

stakeholders- (Retolaza, San-José & Freeman, 2021). This dissertation addresses the shortcomings of a purely legalistic view of E&C programs to make responsible business possible, particularly considering the tenets of a changing paradigm.

### **3. Research objectives and questions**

This dissertation was initially motivated by identifying which factors, according to the literature, companies should focus on in order to develop E&C programs that genuinely contribute to walking the ethics talk. All the above, particularly considering a new business paradigm in which ethics is at the core.

Overcoming a narrow-legalistic approach to E&C practices in business, this dissertation sheds light on two theoretical issues not yet fully addressed in the literature: the obstacles for their internal legitimacy and how a genuine ethical commitment at the top develops and influences these corporate practices. Both issues emerge in the literature as critical for the effectiveness of E&C programs: employees' favorable perceptions of the adequacy of the practice and top management's moral outlook.

The first objective was therefore to conduct a comprehensive review of the business ethics and management literature on E&C programs. This review aimed to map the current state of the literature and identify theoretical gaps that warrant further inquiry. The methodology involved analyzing and synthesizing key ideas and relationships within the topic of E&C programs, guided by the following research question:

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*RQ1.* What is the *state of the art* of E&C programs in management and business ethics literature?

---

The following sub-questions then developed this overall inquiry, delineating a contemporary and holistic theoretical framework and helping to identify critical insights and research directions:

- (1) How are E&C programs conceptualized, and why are they being implemented?

(2) What are their key features and characteristics?

(3) What are their critical outcomes?

Second, using the lens of legitimacy-as-judgment theory, the dissertation aims to overcome the silent role that legitimacy seems to play in the E&C programs' literature by unraveling the barriers that may exist to their favorable internal legitimacy evaluations. It does so by exploring the following overall research question:

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*RQ2. What obstacles do Ethics and Compliance Officers (ECOs) perceive in obtaining favorable judgments from their internal audiences about their role and the E&C programs they manage?*

---

However, as the research moved forward, the initial research question split into three critical sub-questions:

(1) What factors might hinder favorable internal audiences' legitimacy judgments about corporate E&C practices (including the ECOs' role)?

(2) What are the sources of those factors?

(3) What dimensions of legitimacy evaluations are associated with these factors?

These questions aim to better understand how internal illegitimacy of E&C programs may occur.

Finally, the dissertation aims to address another gap in the literature regarding how moral reasoning might influence top management's valuation of E&C programs. It also aims to theorize how this moral valuing might affect the E&C programs' key features and implementation. To this end, it responds to the following research questions:

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*RQ3. How does top management use moral reasoning to value an E&C program?*

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RQ4. How is this valuation projected onto the E&C program's design and practical implementation?

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The following section explains how the dissertation is conducted and structured to respond to the questions above.

#### **4. Overview of the Dissertation**

Three studies structure the dissertation. Table 1 below provides an overview, including (1) the title of each study, (2) its objectives, (3) its overall research questions, (4) the theoretical framework that informed each study; (5) the main concepts presented; (6) its level of analysis; (7) its research design; and (8) a brief description of the methodological procedures.

The first study (Chapter 1) is an integrative review of the business ethics and management literature on E&C programs, based on a semi-systematic search in the Web of Science database (WoS) and the addition of 28 articles that were deemed relevant to delineate a conceptual framework. The search yielded a final sample of 106 articles published between 1990 and 2024. The articles' review revealed a connection between why E&C programs are implemented, how they are developed and put into practice (their key features and characteristics), and their outcomes at three levels: employees, companies, and society. Moreover, it uncovered two underexplored issues companies should focus on to enhance E&C management. First, top managers' moral ideals and commitment to ethics emerged as critical to instilling genuinely intended values-based E&C programs, essential for their proper integration into daily business processes. Second, employees' favorable perception of the legitimacy of E&C practices plays a crucial role in contributing to voluntary compliance and, thus, effectiveness.

As a result, this chapter proposes a holistic theoretical model that illustrates the connections between what I considered three critical dimensions that provide a comprehensive perspective and better explain how E&C programs work: (1) causes and motivations (the *why*), (2) key features and characteristics (the *how*), and (3) outcomes (the *what*) of E&C programs.

The second study (Chapter 2) builds upon one of the yet underexplored issues identified in the literature review (Chapter 1): the E&C programs' internal legitimacy. It thus aims to fill this gap by identifying barriers to the employees' favorable legitimacy perceptions of E&C programs, the associated legitimacy judgment content, and where companies should focus their efforts to overcome them (practical insights). To this end, this study uses a qualitative-interpretive research approach based on in-depth semi-structured interviews with 20 Ethics and Compliance Officers (ECOs). This method focuses on understanding the meaning and interpretation of human experiences. So, it voices ECOs' interpretations of the corporate E&C programs' internal legitimacy phenomenon and, most precisely, the barriers they face to attain that legitimacy.

This study is thus based on the ontological assumption that companies' reality results from the interaction of people involved in their activities and the meaning these people give to what they experience (Hassard, 1993 cited by Crane, 1999). Therefore, it assumes that the corporate world is mainly socially constructed (Berger & Luckmann, 1967) and that the individuals constructing that world are 'knowledgeable agents' (Gioia, Corley, & Hamilton, 2013; Gioia, 2021). As a researcher, my role was to provide an adequate account of their experience (Gioia et al., 2013) . However, I inevitably brought my experiential data to the study. Although it might be considered a bias, it may also become a significant source of insights and valid checks when those values and assumptions are critically imposed (Maxwell, 2008). That is the case of the present study. My previous knowledge and experience helped me generate interesting insights and connections that enriched findings and improved the discussion.

Nevertheless, it did not impede me from suspending my understanding and cultivating curiosity while undertaking and codifying the interviews. Therefore, the analysis of the interviews involved not only the informants' sense of their experience but also my understanding of how he or she made sense of it.

Building upon Tost's integrative model for legitimacy judgments (Tost, 2011), this empirical study revealed that barriers to favorable E&C programs' internal legitimacy judgments are sourced at three levels: (1) the person level, which includes both personal characteristics of ECOs as legitimacy agents (and also legitimacy seekers and subjects)

and employees as legitimacy evaluators; (2) the structure level, which refers to the E&C practices as such, and (3) the internal situational context level. This study sheds light on the human component of E&C programs' effectiveness and the critical role played by top managers' internal support. Indeed, top manager support was revealed as an essential factor worth considering. This finding connects with the idea, further developed in Chapter 3, that the success of E&C programs in promoting ethical and legal behavior among employees (and, therefore, becoming effective), depends heavily on why top managers adopt or support the decision to implement them in their organizations. How these intentions are conveyed and communicated critically impacts how employees perceive these corporate practices, particularly from a moral perspective. What can we expect from employees if top managers do not morally grant any value to ethics and legal compliance? In other words, if top management does not believe in the internal value of E&C practices and their contribution beyond protection against legal liabilities, those practices risk being decoupled from business activities, hardly convincing other members of the organization of their ethical acceptability.

Finally, the third study (Chapter 3) addresses the pivotal role of top management's moral reasoning in shaping E&C programs. It provides the rationale for the moral valuing of corporate E&C programs and the projection of this moral valuing into tangible intentions and actions. This chapter directly connects with the literature review in Chapter 1, which revealed that the influence of top management's moral outlook in developing ethical commitment and intentional authenticity in implementing E&C programs has been somehow overlooked. In this regard, we found a gap in the literature regarding how moral reasoning might influence top management's valuation of E&C programs, so this commitment occurs. This gap underscores the need for further research in this area. Moreover, it also connects with Chapter 2 as the empirical research led to the critical role top management's support plays in employees' perceptions regarding the acceptability of E&C practices. Therefore, the study detailed in Chapter 2 increased the justification for the need to explore further the realm of top managers' moral thinking and how it might influence their genuine support of E&C programs. To this end, Chapter 3 builds on Kohlberg's six stages of moral development as applied to

managers' moral thinking. This study, recently published in *Business and Society Review*, offers a model to explain how managers' moral valuation of these practices varies along a moral reasoning continuum, resulting in four distinct modes for diagnosing their commitment and support. It also theorizes that each mode of moral valuing yields an archetype of E&C programs, highlighting the influential role of top management in shaping the orientation and critical features of these programs.

As a result, this dissertation provides an alternative lens to look at E&C programs, preventing “paper compliance” and fully realizing their role in helping companies to effectively walk the talk of a new business narrative. A narrative that goes beyond maximizing profits by focusing on creating value for a wide range of stakeholders.

The three chapters that follow outline the contributions of each study in detail, whereas the conclusion section presents an overall summary.



**Table 1. Dissertation Overview**

	First study (Chapter 1)	Second Study (Chapter 2)	Third study (Chapter 3)
Title	Corporate ethics and compliance programs' why, how, and what: A holistic theoretical model and conceptual tool.	Barriers to the internal legitimacy of corporate ethics and compliance programs: A model based on the practitioners' views	Ethics and compliance programs for a new business narrative: A Kohlberg-based moral valuing model for diagnosing commitment at the top
Objective	Map the current knowledge of E&C programs and develop a holistic and comprehensive model to explain these corporate practices	Fill a gap in the literature by unraveling the barriers to the internal legitimacy of E&C programs by drawing on the practical experiences of ECOs.	Fill a gap in the literature by theorizing how top managers' moral reasoning stages relate to their moral valuing of, and projection onto, the E&C program.
Overall research question	(RQ1) What is the <i>state of the art</i> of E&C programs in management and business ethics literature?	(RQ2) What obstacles/difficulties do ECOs perceive in obtaining favorable judgments from their internal audiences about their role and the E&C programs they manage?	(RQ3) How top management uses moral reasoning to value an E&C program (RQ4) How this valuation is projected onto the E&C program's design and practical implementation.
Theoretical framework	E&C programs' causes and motivations, features, and outcomes	Tost (2011) integrative model for legitimacy judgments: active (instrumental, relational and moral) and passive	Kohlberg's six-stage moral development framework Freeman's responsible business framework
Main concepts	A three-dimensions model for E&C programs (why, how and what)	Barriers to internal legitimacy of E&C programs (affecting propriety evaluations and validity beliefs) Person-centered approach to E&C management	Top managers' moral valuing of E&C programs Archetypes of E&C programs
Level of analysis	Not applicable	Individual (ECO's experiences)	Individual (top managers) Organizational practices' structure (E&C programs)
Design	Integrative review using a semi-systematic search of business ethics and management literature in WoS	Empirical (qualitative-interpretive)	Theoretical
Methodological procedures	105 reviewed articles published between 1990 and 2024	20 Semi-structured interviews Gioia methodology for theory building	Application of Kohlberg's moral development theory to top managers' moral valuing of E&C programs



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CHAPTER 1. CORPORATE ETHICS AND COMPLIANCE  
PROGRAMS' WHY, HOW, AND WHAT: A HOLISTIC  
THEORETICAL MODEL AND CONCEPTUAL TOOL.



### **1.1. Introduction: Context and justification of this study**

In response to business scandals, governments, regulatory bodies, and international agencies have enacted legal measures, incentives, or guidelines to encourage organizations to adopt specific formal internal mechanisms, commonly called Ethics and Compliance (E&C) programs, to standardize and improve corporate behavior. U.S. Federal Sentencing Guidelines for Organizations or the Spanish Criminal Code, reformed in 2010 and 2015, are examples of how legal coercion and incentives may contribute to the profusion of these corporate practices. However, many corporate scandals have occurred precisely in highly regulated industries (Michael, 2006) and even in companies with these self-regulation and internal control mechanisms. Siemens, Volkswagen, and Wells Fargo are just a few examples.

Moreover, beyond its legal and corporate defense implications, the phenomenon of E&C programs becomes particularly relevant within an alternative business paradigm that entails an increased awareness of environmental and social issues (Aluchna, 2018; Arribas, Espinós-Vañó, García García, & Oliver-Muncharaz, 2019; Ghosh Ray, 2019) and the role of corporations as moral agents (Wagner-Tsukamoto, 2009). Therefore, understanding whether E&C programs effectively standardize and promote ethical behaviors and avoid harmful practices seems relevant to contributing to responsible business and corporate integrity. However, it requires first considering their underlying message, the nature of their components, and their intended impact (Brenner, 1992).

The business ethics and management literature has addressed the study of E&C programs through different theoretical lenses and methodologies. The institutional theory provides a relatively complete and holistic approach to understanding this phenomenon. It allows for examining the processes by which the norms, structures, and routines that guide social behavior are established in organizations (Duchon & Drake, 2009). Nevertheless, other relevant theoretical lenses have been used to explain how these programs work. Control theory (Stansbury & Barry, 2007; Weaver, Treviño, & Cochran, 1999b), organizational culture and climate (Kaptein, 2011), ethical decision-

making (Ruiz, Martinez, Rodrigo, & Diaz, 2015), or normative ethics theories (de Colle & Werhane, 2008; Reynolds & Bowie, 2004) are some examples.

E&C programs are thus a current corporate practice and a field of academic study related to the institutionalization of ethics and corporate integrity in organizations. As the literature grows, so does the body of knowledge on the topic, providing new perspectives and insights. Nevertheless, we have yet to find a theoretical model that offers an up-to-date and holistic approach that could allow scholars and practitioners to identify where to focus on making these corporate practices more effective in improving business conduct, especially considering a changing paradigm context. Therefore, we take the opportunity to review and critique the existing knowledge. We also take this opportunity to identify opportunities for theoretical and empirical advancement. To this end, we adopt the metaphorical role of a cartographer (MacInnis, 2011) and map the current knowledge to develop a comprehensive model. We sought first to know the current *state of the art* by surveying the business ethics and management literature to determine how E&C programs are conceptualized in the academic literature, why they are implemented in organizations, their key features and characteristics, and their critical outcomes or contributions.

Our study begins with a brief review to clarify the links between ethics and legal compliance in a business context and why legal compliance is necessary but insufficient. We intend to contextualize the object of our study and its relevance. Then, following accepted conventions for transparency in how the study was conducted (Torraco, 2005), we explain the strategy we used to identify relevant literature and examine the main ideas and relationships of the topic. In later sections, we present a definition of E&C programs, propose a three-dimensional theoretical model, and synthesize the findings that allowed us to delineate it. We do so by answering the following questions: (1) what drives companies to establish E&C programs - *why* -, (2) what their key characteristics or features are - *how* -, and (3) what their outcomes at the micro, meso, and macro levels are - *what* -. Then, based on the emerging theoretical model of E&C programs, we present a conceptual tool aimed primarily at guiding practitioners on where to focus in

building effective E&C programs. Finally, we discuss limitations and contributions, propose a research agenda for the present dissertation, and draw conclusions.

## **1.2. The role of laws and regulations in corporate integrity: Legal compliance as a necessary but insufficient requirement**

Corporate scandals are not only about failures of legal compliance but also failures to do the right thing (Arjoon, 2005). Sometimes, the questionable actions incurred by a company do not 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). Quite the contrary, these scandals allow us to see businesses as moral agents (Moore, 1999; Weaver, 2006) with a scope of responsibilities that go far beyond the merely economic and legal (Carroll, 1991; Carroll, 2016).

When businesses fail to manage their moral dimension, they fail to fulfill their stakeholders' legitimate expectations, negatively impacting corporate trustworthiness. That loss of confidence damages the image and reputation of the company and harms its economic performance (Freeman, 1984). Furthermore, a company's reputation for its integrity becomes part of its brand and gives rise to a competitive advantage (Bowie, 2010). However, genuine ethics is not about attaining external goods. Therefore, companies should not appeal to ethics instrumentally. Besides, there is not always a business case "to do the right thing" (Taylor, 2017). *Good ethics* does not always imply *good business* (Welch, 1997), in that the economic benefits of doing business ethically are not usually seen in the short term but in the medium and long term.

Legal compliance is necessary but insufficient to guide organizational behavior (Paine, 1994). Likewise, legal coercion seems insufficient to improve corporate integrity (Hess, 2009; Short & Toffel, 2010). There is no doubt that legal pressure has been an essential driver of these mechanisms of business self-regulation (Gabel, Mansfield, &

Houghton, 2009; Stucke, 2013). Unfortunately, many scandals have occurred precisely in highly regulated industries (Michael, 2006).

Why is this happening? One of the possible answers to these failures is that 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 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 for guiding the right thing to do (Argandoña, 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 ultimate purpose 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 (Argandoña, 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).

Moreover, the companies' formal conduct rules and procedures do not guarantee, on their own, a positive impact on their members' behavior (Hess, McWhorter, & Fort, 2005; Treviño, Weaver, Gibson, & Toffler, 1999). As we point out in this chapter, the E&C programs' success in standardizing and promoting ethical behaviors depends, to a large extent, on senior management's moral outlook and intentions when deciding to put them in place. In other words, their capacity to



positively contribute to organizational integrity and ethical behavior will largely depend on to what extent the decision to implement an E&C program is motivated and guided by a management genuine commitment to ethics or by purely strategic and financial goals (Driscoll & Hoffman, 1999; Paine, 1994; Treviño et al., 1999; Weaver et al., 1999b; Weaver, Treviño, & Cochran, 1999c)

Besides, effectiveness also depends on the E&C program's orientation and the quality of its components, together with a proper understanding of what factors influence employees' perceptions, attitudes, and behaviors and how they affect decision-making processes at the micro-level (person-level) (Haugh, 2017; Iscenko, Pickard, Smart, & Vasas, 2016; Treviño, Weaver, & Reynolds, 2006; Weber & Wasieliski, 2013). In that sense, the E&C program's internal legitimacy emerges as a critical outcome companies should focus on if they truly aspire to attain employees' buy-in. It is necessary to effectively prevent unethical behavior and promote an ethical culture and climate (MacLean & Behnam, 2010; MacLean, Litzky, & Holderness, 2015; Treviño et al., 2014). Furthermore, we must not forget that unethical behavior within organizations is not only the result of some "*rotten apples*" but that the problem also lies in the container - *a bad barrel*- (Hoffman & Moore, 1984; Treviño & Youngblood, 1990; Treviño & Brown, 2004).

### **1.3. Searching for relevant literature on E&C programs: methods and strategies**

To fulfill the purpose of this study, we adopted an integrative review approach (Snyder, 2019) to examine the relevant literature on E&C programs. We intended to critique and synthesize the state of knowledge by analyzing the main ideas and relationships within this topic in a way that allowed us to delineate an up-to-date and holistic theoretical framework.

We undertook a staged search of our data. First, we systematically searched the WoS database for relevant theoretical and empirical literature published between 1990 and 2024. We used this timespan because, on the one hand, in 1990, business ethics had already been solidly established as a discipline (De George, 2005; Melé, 2009). On the other hand, in 1991, the U.S. Federal Sentencing Guidelines were promulgated.

These guidelines formally introduced the concept of a "compliance program." Therefore, it is reasonable to think that articles relevant to the object of study started to be published.

We indicated the following keywords within the criterion "topic": compliance program\*, ethic\* program\*, ethic\* infrastructure\*, compliance system\*, and integrity program\*, as we found that terms appeared in cited references in our first search.

After performing the search with the indicated keywords, joined by the Boolean OR, we identified 1,260 articles. Next, we refined the results, excluding with the Boolean NOT the following terms within the topic criterion: *CSR; corporate social respons\**, *health\**, *education; nursing, immigration; medic\**, *pharma\**; *academic\**, *information system, data protection; digit\**, *data privacy and tech\**, resulting in 585 articles. With the refinement of the search strategy, on the one hand, we wanted to identify articles directly related to the general characteristics and elements of E&C programs, leaving out of consideration those of *corporate social responsibility (CSR)* or those with a focus on specific industries or technical domains that appeared in the initial queries results. In addition, we refined the search by selecting only articles and reviews in English, excluding proceeding papers, book chapters, and data papers. After that, there were 454 articles left.

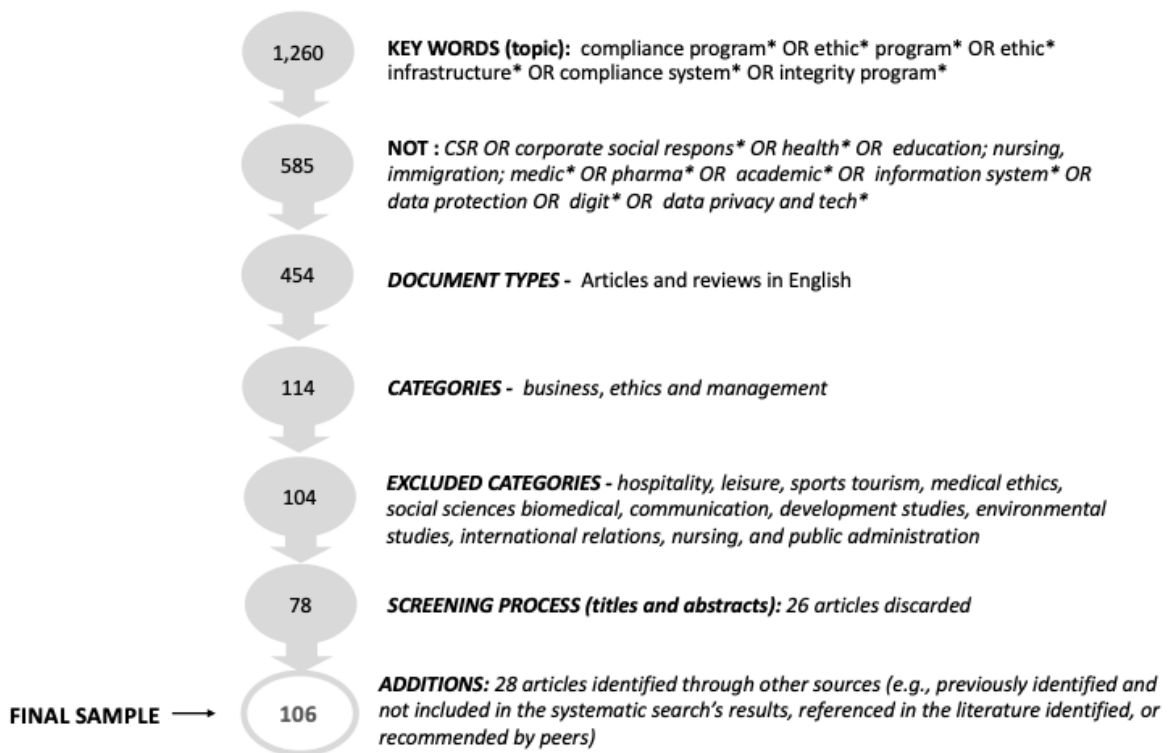
Next, we refined the search to business, ethics, or management categories. We intended to restrict the scope of our research to organizational management, business ethics, and people behavior in the business context. Besides, we explicitly sought to leave corporate defense or protection against legal liabilities-related topics out of consideration. After that, 114 articles remained on the list.

Then, we redefined the search by excluding the following categories: *hospitality, leisure, sports tourism, medical ethics, social sciences biomedical, communication, development studies, environmental studies, international relations, nursing, and public administration*, with a final result of 104 articles.

Finally, we reviewed the abstracts of the articles obtained and discarded 26, whose scope we considered exceeded the purpose of this work. For instance, we discarded articles focused on not-for-profit organizations, and 78 articles were left.

However, we incorporated 28 articles that we had previously identified that did not appear in the search and whose theme we deemed relevant to delineate the conceptual framework, and others recommended by peers or referenced in the articles included in the search results. Finally, the search results are 106 articles to analyze and interpret the literature. Figure 1 illustrates the searching process.

**Figure 1. Literature searching process**



These results are documented in a table included in Appendix 1.

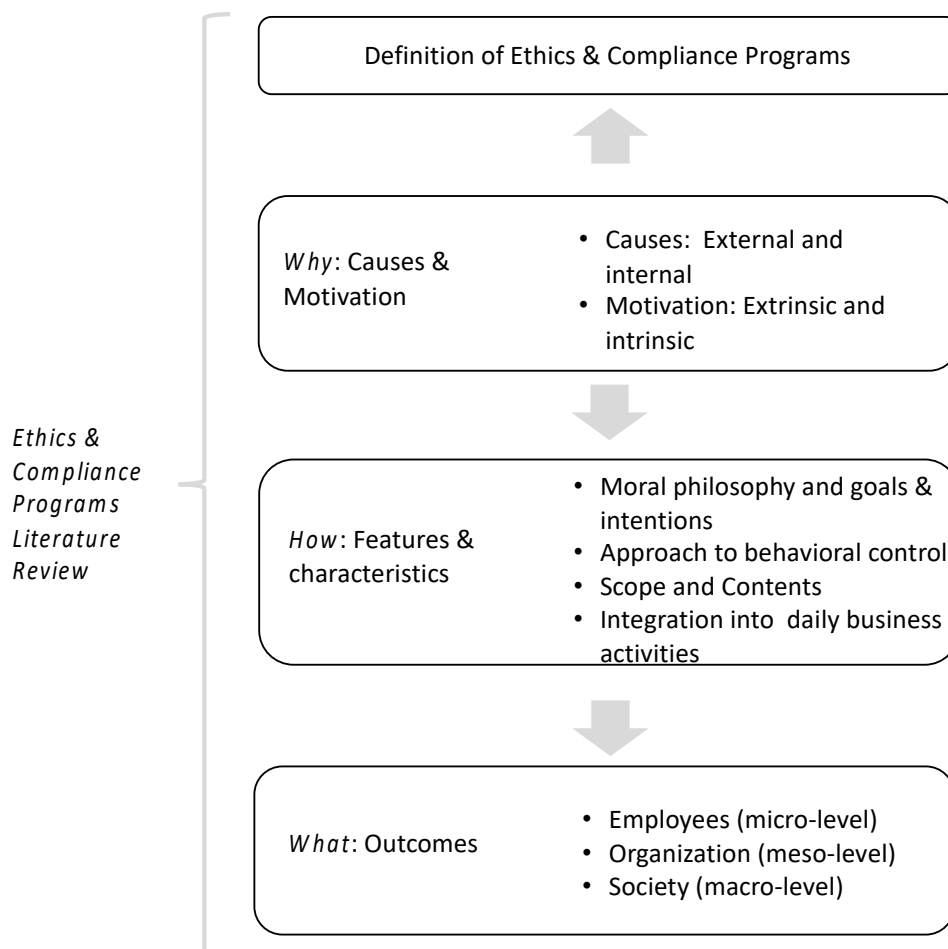
We undertook an in-depth review of the articles to identify and categorize the main ideas and determine the scope of the study. By reading the abstracts, we also agreed on the following themes to classify and structure the analysis: (1) definition of the concept "ethics and compliance program"; (2) causes and motivations of these programs; (3) their main features and characteristics: the E&C program's moral philosophy, goals and intentions; approach to behavioral control, integration into the

processes of the organization, key components; and (4) outcomes for the employees, organization, and society at large.

Afterward, we critically evaluated the contents by reading each article and elaborating on the synthesis. This stage became an iterative process in which the reading of the articles initially identified led us to read other publications. While we advanced in studying the emerging concepts and ideas, we carried out additional queries through *Google Scholar*, allowing us to refine our understanding and completion of the theoretical framework and shed light on the relevant themes.

Figure 2 below schematically summarizes the main headings that emerged from the literature and guided us in delineating the proposed theoretical model

**Figure 2.** Scope and structure of this study



#### **1.4. Definition of E&C programs and introduction to the proposed theoretical model**

The mechanisms for institutionalizing and managing ethical behavior in organizations receive different names. Among the most prevalent, we found the following and structured them in Table 2 below.

Differences in the denomination are not trivial. They make it possible to visualize the direction and scope of the programs (Martineau, Johnson, & Pauchant, 2017). They (1) provide clues about what the company understands by ethical behavior, (2) explain the intentionality of the program, and, most importantly, (3) provide some cues about the dominant logic and ideology that prevails in the organization when it comes to institutionalizing ethics. For example, is the company focused solely on legal compliance, or does it intend to adopt an ethics-based approach?

Previous research depicts these programs as a set of control mechanisms (Kaptein, 2009; Stansbury & Barry, 2007; Weaver et al., 1999b) that companies or other organizations implement to standardize the ethical and law-abiding behavior of employees and managers (Christina & Fort, 2020; Treviño et al., 2014; Weaver & Treviño, 1999).

However, viewing E&C programs solely as control systems limit their true potential. Beyond their formal aspects, implicit elements such as the organization's ethical culture should not be overlooked (Weaver et al., 1999b). Indeed, some scholars focus on the essential teleological character of these programs and their purpose in increasing consciousness, reflection, and ethical behavior in an organization (Martineau, et al., 2017). Therefore, according to the literature, these corporate programs set behavioral expectations, monitor compliance, deter malpractice, and create an ethical culture that directly or indirectly discourages unethical behavior and promotes good practices (Kaptein, 2009).

**Table 2.** Different denominations of E&C programs in academic literature

<b>Names used</b>	<b>Literature of reference</b>
<i>Ethics programs</i>	Beeri et al., 2013; Cabana & Kaptein, 2021; de Colle & Werhane, 2008; Jannat et al., 2021; Kaptein, 2009; Kaptein, 2015; Martineau et al., 2017; Reynolds & Bowie, 2004; Ruiz et al., 2015; Stansbury & Barry, 2007
<i>Compliance programs or systems</i>	Chen & Soltes, 2018; Haugh, 2017; Healy & Serafeim, 2019
<i>Compliance and ethics</i>	Busse & Doganer, 2018; Christina & Fort, 2020; Majluf & Navarrete, 2011)
<i>Ethics and compliance</i>	Stucke, 2013; Treviño et al., 1999; Weber & Wasieleski, 2013
<i>Ethical management systems</i>	Argandoña, 2004
<i>Ethical infrastructures</i>	Chui & Grieder, 2020; Martin et al., 2014; Rottig et al., 2011; Seifert et al., 2023; Tenbrunsel et al., 2003
<i>Ethical compliance</i>	Ferrell et al., 1998; McKendall et al., 2002
<i>Integrity programs</i>	Hoekstra & Kaptein, 2021

Although the term "ethics program" is predominant in the literature reviewed, in this dissertation, we will use the term "ethics and compliance programs," regardless of the specifics, typologies, and approaches they may adopt. Moreover, as per previous definitions in the literature, we will conceptualize these programs as a comprehensive corporate practice that consists of a set of ethical values, principles, rules, policies, procedures, control practices, resources, communications, and actions that the organization explicitly or implicitly uses to standardize and promote ethical and law-

abiding behavior among its employees. A comprehensive approach contributes to these corporate practices' effectiveness (Kaptein, 2010).

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***Assumption 1:*** *How the company names its E&C program provides cues on what it means by expected good behavior and its practices' orientation.*

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The literature review reveals a connection between three dimensions: (1) *why* E&C programs are implemented in corporations, (2) their primary characteristics or features (*how* the E&C programs are designed and implemented), and (3) what the outcomes are at a micro, meso, and macro-level are.

We have summarized the critical theoretical assumptions extracted from the literature review in Table 3.

In addition, Figure 3 below captures the proposed theoretical model. It illustrates the relationship among three dimensions (why, how, and what) and the elements within each dimension that companies should focus on to assess the quality and effectiveness of E&C programs.

Moreover, based on the proposed theoretical model, we offer a conceptual tool (Figure 5) at the end of the chapter to assist practitioners in designing and developing effective E&C practices.

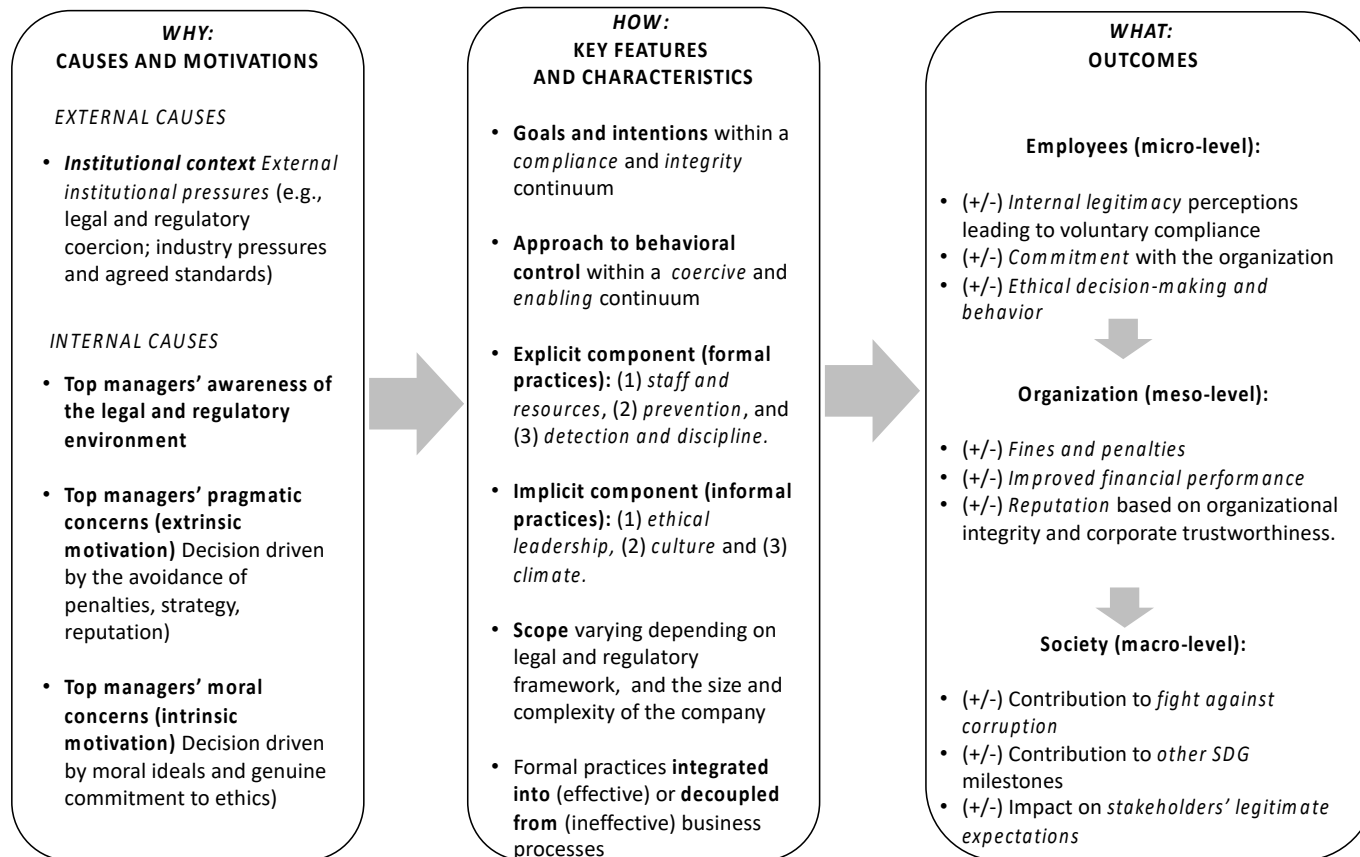
The following sections will synthesize the findings that allowed us to delineate the theoretical model (Figure 3) and the conceptual tool proposed (Figure 5). Section 1.5 below will focus on the critical role played by institutional pressures and top management's pragmatic and moral outlooks, and most importantly, the critical role played by top management's moral ideals to inspire and promote genuinely intended E&C programs.

**Table 3. E&C programs dimensions and theoretical assumptions**

E&C PROGRAM'S DIMENSIONS	Micro-level (Persons)	Meso-level (Organization and its practices)	Macro (Society)
<b>WHY: CAUSES AND MOTIVATIONS</b>	<p>A3. Top management's awareness of the legal and regulatory environment, as well as pragmatic or moral concerns, motivates implementation and support of E&amp;C programs.</p> <p>A4. Top management's moral ideals inspire and promote the implementation of E&amp;C programs and are projected onto their key attributes</p>		<p>A2. External institutional pressures drive the implementation of E&amp;C programs, e.g., the legal and regulatory framework and industry standards.</p>
<b>HOW: CHARACTERISTICS</b>  Moral philosophy and orientation		<p>A1. The name provides cues on what the company means by expected good behavior and its practices' orientation.</p> <p>A5. The underlying moral philosophy offers cues about the company's moral sophistication.</p> <p>A6. Goals and intentions lie on a compliance/integrity continuum. <i>Top management commitment to ethics favors a values-based orientation.</i></p>	
Approach to behavioral control		<p>A7. Approach to behavioral control lies on a continuum of coercive and enabling control.</p> <p>A8. Coercive control relates to compliance-based programs, and enabling control is associated with value-based</p>	
Scope and components		<p>A9. There are explicit (formal practices) and implicit (ethical leadership, culture, and climate) components.</p> <p>A10. A tendency toward legalistic language and format in compliance-oriented practices, and more accessible, informal, and less technical in values-oriented practices.</p> <p>A11. The greater the size and complexity of the organization and the greater the awareness of regulatory requirements, the greater the scope.</p> <p>A12. A higher scope can increase effectiveness.</p> <p>A13. The implicit component is critical to the effectiveness of formal practices.</p>	
Integration into daily business processes		<p>A14. E&amp;C programs can be integrated into (effective) or decoupled from daily business activities (ineffective).</p> <p>A15. Ethics-driven implementation contributes to integration.</p>	
<b>WHAT: OUTCOMES</b>	<p>A16. Effective E&amp;C programs contribute to positive internal perceptions of their legitimacy, leading to voluntary (internally driven) compliance, improved employee commitment, and ethical decision-making and behavior.</p>	<p>A17. Effective E&amp;C programs contribute to reducing the company's fines and penalties, improve its long-term performance, and build a good reputation based on corporate integrity and trustworthiness</p>	<p>A18. Effective E&amp;C programs contribute to the fight against corruption and other SDGs, and duly satisfying stakeholders' expectations.</p>



**Figure 3.** A three-dimensions model for E&C programs.



### 1.5. **Why: The role of institutional pressures and top management decisions frames**

Previous research points to the external pressures businesses face to establish an E&C program. The academic literature agrees that these corporate practices are proliferating mainly as a result of the external pressure exerted by governments and regulatory bodies through legal and regulatory requirements, monitoring and oversight mechanisms, and the use of incentives (Ferrell, LeClair, & Ferrell, 1998; Hemphill & Cullari, 2009; Hess, 2009; Kaplan, Dakin, & Smolin, 1993; Salbu, 2018; Short & Toffel, 2010; Stansbury & Barry, 2007; Stucke, 2013; Weber & Wasieleski, 2013). We should also consider the influence exerted through the industry's self-regulation (Kurland, 1993)

According to institutional theory, companies create E&C programs to maintain their external legitimacy (MacLean & Behnam, 2010; Meyer & Rowan, 1977; Weaver et al., 1999c). Thus, this theory argues that organizational change is primarily externally driven, highlighting, among other things, the coercive pressure of regulators and their ability to legally sanction a company's legitimacy (Motherway, Pazzaglia, & Sonpar, 2018; Scott, 1995).

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***Assumption 2: External institutional pressures drive the implementation of E&C programs, e.g., through the legal and regulatory framework and industry standards***

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However, top managers are not simply 'responding to these pressures' but actively shaping and driving the development of ethics programs (Weaver et al., 1999c). The literature highlights management's proactive role in shaping E&C practices (Argandoña, 2004; McDonald, 2000; Paine, 1994; Weaver et al., 1999c). The influence of external institutional pressures strongly relies on top management's awareness of the legal and regulatory environment (Hauser, 2022; Weaver et al., 1999c).

Managers are definitively critical in institutionalization processes (David, Tolbert, & Boghossian, 2019). They not only react to external pressures but also can make decisions for themselves on behalf of the company (Child, 1972; Hitt & Tyler, 1991; Wangrow, Schepker, & Barker, 2015)). Those decisions are influenced by the

management team's dominant logic (Bettis, Wong, & Blettner, 2003) and also by senior management personality traits, including belief structure and cognitive complexity (Hitt & Tyler, 1991; Walsh, 1988) and even their ideology (Child, 1972). Moreover, senior management decisions might also be influenced by a commitment to and concern for the organization's integrity and ethical behavior (Paine, 1994). Indeed, as the academic literature points out, ethical motivation and commitment are necessary to encourage and attain a values-based management approach to E&C programs (Weaver & Treviño, 1999) .

Nevertheless, the literature does not explicitly address or provide a more nuanced explanation of the motivational processes underlying these managerial decisions or how they operate. However, we found a study by Chua and Rahman (2011) that explains why firms create and publicly disclose ethical codes. They distinguish between endogenous (intrinsic) and exogenous (extrinsic) motivations, using only the lenses of institutional and social contract theories and conceptualizing ethical codes only as instruments of organizational legitimation. It would be appropriate to complement this perspective by recognizing other forces or motivations, such as the extent to which top managers are genuinely committed to "doing the right thing" and value ethics for its own sake (Weaver et al., 1999b; Weaver et al., 1999c). Moreover, as Moore and Grandy (2017) argue, we need to bring morality back into institutional theory and consider the moral dimension of organizational life.

Therefore, the importance of top management in forming and strengthening an ethical organization through E&C programs cannot be overstated (McDonald, 2000). According to research on the topic (Weaver et al., 1999c) senior management can influence the development of these programs primarily through two mindsets: (1) a concern for business strategy and financial performance, considering the development of these programs as a necessary instrument to achieve it, avoiding sanctions, and attaining organizational legitimacy, and (2) a genuine concern for the organization's integrity and honesty, because they genuinely understand ethics as a goal in and of itself.

In the first scenario, top management would invoke self-interest and instrumental reasons, resulting in a pragmatic logic. In the second scenario, top

management would use moral reasoning to explain the decision to develop an E&C program, invoking ethical reasons such as corporate integrity concerns (see Kreps & Monin, 2011 for the distinction and examples). Furthermore, we can infer from the latter that top management's evaluation of the firm's performance may also be based on a management style, a vision of success, and a corporate identity based on ethical values rather than solely on efficiency and control (Pruzan, 1998).

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***Assumption 3: Top management's awareness of the legal and regulatory environment and their pragmatic or moral concerns motivate implementing and supporting E&C programs.***

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The above reasons - pragmatic versus moral - are roughly in line with the findings of the empirical study by Soutar and colleagues (1995). They found that the primary motivations for managers to formalize ethics programs were, in order of importance, (1) the desire to improve external perceptions of the company (be accepted by others), (2) the internalization of ethical values (ethics-driven), and (3) compliance with laws. Among these three motivations, recent studies (Hoekstra & Kaptein, 2021) point to the importance of top management's moral ideals in ensuring the intentional integrity of these corporate practices and thus ensuring that they are adopted and supported for what they represent and not for other purposes, thus contributing to their actual implementation. Indeed, Weber and Wasieleski's (2013) exploratory study on corporate E&C programs in the U.S. found that the implementation of these practices was significantly motivated by a sense of ethical responsibility ("*doing the right thing*").

As a result, we see a link 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, through their moral ideals, collectively contribute to the organization's moral agency (Moore, 1999).

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**Assumption 4:** *Top management's moral ideals inspire and promote the implementation of E&C programs and are projected onto their key attributes*

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## **1.6. How: Features and characteristics of E&C programs**

Reviewing the literature, we found that the reasons behind top management's decision to develop an E&C program and the motivation that they might entail are intimately related to the features and characteristics of these corporate practices: (1) their underlying moral philosophy and its goals and intentions, (2) the type of behavioral control used and the way of exercising authority and, (3) their scope and components. In addition, (4) it is also related to its integration -or not- in the organization's day-to-day activities, that is, the degree to which the program is organizationally integrated or decoupled from day-to-day processes.

### **1.6.1. The E&C program's underlying moral philosophy and goals and intentions**

The effectiveness of the E&C program is ultimately determined by its ability to prevent unethical behavior and promote ethical behavior (Kaptein, 2010). As a result, the company must agree on what constitutes ethical behavior in advance. What the business understands by good behavior shapes the underlying moral philosophy of the E&C program and its goals and intentions (in other words, the E&C program orientation).

#### **A. The E&C program's underlying moral philosophy**

Acting ethically entails adhering to generally accepted moral standards (Kaptein, 2010). Those standards cover compliance with the law and acting by universal moral values and principles, using ethical theories as a guide (Weber, 1993). Furthermore, previous literature links ethical behavior to *corporate citizenship* (Gabel et al., 2009) closely related to the businesses' social role (Matten & Crane, 2005). This viewpoint entails a consideration of the expectations and responsibilities that come with being a *good corporate citizen*. To be more specific, one of the responsibilities that comes with the

concept of citizenship is the commitment to follow the established legal framework. However, it also includes other moral responsibilities and involves thinking about the company's ethical dimension in a broader sense (going beyond the law).

Therefore, a business that aims to establish and define ethical behavior must first consider the extent to which morality is part of its corporate identity and what attributes distinguish it from others (Whetten, 2006). An organization's moral characteristics and qualities thus define what it is and where it directs its actions, forming its moral identity (Weaver, 2006). A business that lacks a moral identity develops a narcissistic character, defined as extreme self-love and a high sense of self-importance. This leads to rationalizing and justifying any behavior in pursuit of self-interest (Duchon & Drake, 2009). More precisely, these organizations run the risk of developing E&C programs that are merely window dressing and do not intend to have a positive impact on corporate conduct. They would be mainly concerned with transmitting the idea of being "a good company" without changing how things are done. 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., 1999c). In other words, these companies deceive the public by equating a virtue image with genuine virtue practice (Duchon & Drake, 2009).

However, logically, the question is what moral ideals or considerations are being considered. In this sense, some scholars suggest using Kant as a reference to base the elements that make up the organization's ethics program (Reynolds & Bowie, 2004). Others propose discourse ethics (Stansbury, 2009) as the best way to guide the ethical decision-making process in the organization. Other authors, such as Kaptein (2009;2010) or de Colle and Werhane (2008), base the ethical orientation and integrity of the organization on the three theories on which business ethics is traditionally based: Aristotle's virtue ethics (what the organization is or its moral intentions), Kant's deontological ethics (what the organization should do), and Bentham's utilitarianism, later developed by Mill (the effects and results of the organization's actions maximize the overall satisfaction of all stakeholders). Combining these three ethical theories makes it possible to discern a connection between why top management may decide to

implement and support an E&C program (intentionality and level of commitment to ethics), how these intentions and commitment are formally expressed, and determine what the organization should do, and what the effects are (Kaptein, 2010).

When corporate leaders integrate moral values, they create a moral conscience projected onto the corporate level and reflected in the organization's bureaucracy (Goodpaster, 2022), such as the E&C programs. The moral perspective of top management is thus an essential influence on the underlying moral sophistication of E&C programs (Weaver et al., 1999b). The E&C program (in its formal and informal components) reflects the organization's ethics. An organization's ethics define its moral identity, character, and ability to address dilemmas about the right way to do things. Moreover, scholarly research has proven that employees develop a sense of belonging to those organizations that value morality and ethics and pursue being hired by those organizations (May, Chang, & Shao, 2015).

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***Assumption 5: The E&C program's underlying moral philosophy offers cues about the company's moral identity and sophistication.***

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### ***B. The E&C program's goals and intentions (orientation)***

The E&C program's underlying moral philosophy is ultimately reflected in its goals and intentions. In this regard, previous literature identifies two main orientations from which to approach the standardization of conduct in organizations: *compliance-based* (or *a legal orientation of ethics*) and *values-based* (or *integrity-based*) (Argandoña, 2004; Arjoon, 2005; Gabel et al., 2009; Paine 1994; Stansbury & Barry, 2007; Treviño et al., 1999; Weaver & Treviño, 1999; Weaver et al., 1999b).

A *compliance-based* E&C program seeks, above all, to ensure compliance with the established legal and regulatory framework. This external regulation not only frames expected behaviors and responsibility but also leads to a concern for the defense and protection of the organization against possible legal processes or sanctions. It thus emphasizes adopting formal policies and developing organizational procedures to monitor behavior and enforce those policies by applying disciplinary measures.

*Values-based* or *integrity-based* programs, on the other hand, instill self-regulation by appealing to employees' aspirations for ethical behavior and emphasizing counseling, education, and role modeling rather than rules, vigilance, and discipline. They focus on the search for corporate integrity and usually carry out behavioral control by developing values grounded on ethical principles and aspirations, which all managers and employees share. Therefore, *values-based (ethics-based)* programs are consistent with an approach to organizational management that frames responsibility from the inside out (Pirson, 2020).

However, *compliance* and *values-based* orientations are not mutually exclusive. Both approaches, when used in combination, can have positive effects (Paine, 1994; Treviño, et al., 1999; Weaver et al., 1999b; Weaver & Treviño, 2001). At this point, it would be appropriate to paraphrase Kant and say that norms without the principles that guide them are blind, and principles without norms that make them operational are empty.

Indeed, an E&C program firmly anchored in values can and should coexist with norm-setting and the appropriate exercise of discipline and control. In this sense, previous research carried out in this area (Treviño et al., 1999; Weaver & Treviño, 1999; Weaver & Treviño, 2001) concludes that, although the presence of a values orientation is more successful in positively impacting employee behavior, if employees perceive a *compliance* approach, the results concerning the effectiveness of the program, especially in reducing unethical behaviors, are also significantly positive. Moreover, awareness of the consequences of non-compliance with laws and regulations prevents legal breaches and raises a greater motivation to report them (Warren, Gaspar, & Laufer, 2014). Therefore, the effectiveness of the E&C program, in short, lies in an appropriate combination of approaches or perspectives. As Martineau and colleagues (2017) point out, a balance is necessary because an excessive focus on one sense or another can become ideological and undermine the pluralistic nature of organizational ethics programs. However, the ideal point of balance depends on the circumstances of each organization (Treviño et al., 1999).



In addition to these two most commonly recognized approaches or orientations, Trevino and colleagues (1999) include two other perspectives: (1) *concern for stakeholder satisfaction* and (2) *protection of senior management*. However, the *concern for stakeholder satisfaction* may vary depending on the moral reasoning stage of top management (Logsdon & Yuthas, 1997). Logsdon and Yuthas suggest that how top managers morally value the relationship with stakeholders determines how they manage and view their responsibilities toward them. Therefore, a *concern for stakeholder satisfaction*, if based on a genuine interest in serving stakeholders' legitimate interests and expectations and protecting them from harm, would fit within a *values-based* approach. However, it could also be based simply on the view that stakeholders serve the company's interests. For example, since some of the critical E&C risks to be managed are those related to litigation and regulatory sanctions, the E&C program could adopt a typically reactive approach that considers stakeholders only for instrumental reasons. Stakeholders would be only considered if their inclusion in the E&C program helps prevent adverse outcomes for top executives (or the company). This latter approach is consistent with the *protection of senior management* orientation, also proposed by Treviño and colleagues (1999). The focus and purpose of the E&C program, in this case, would be primarily to protect senior management from potential legal proceedings or sanctions. Therefore, it is reasonable to assume that the focus or orientation of a program intended to protect senior management (and the company) would be *compliance-based* rather than *integrity-based*.

However, Martineau and colleagues (2017) openly question the strict traditional dichotomy between compliance and ethics, advocating a more pluralistic and multidimensional vision. They argue that the high complexity of the business world requires a more nuanced and complex view of organizational ethics management, offering a broader range of practices through which to embed ethics in the firm rather than just the traditional emphasis on legal compliance or alignment with the firm's ethical values. They propose a model with six orientations, taking into account the variety and typology of elements or practices that make up these programs: (1) structural orientation - resources and personnel; (2) socio-environmental orientation;

(3) consultation/participation orientation; (4) experimental development orientation; (5) misconduct detection orientation; and (6) policy orientation. These orientations are not mutually exclusive, and the type of dominant ethical orientation will depend on the type of organization, with the normative and socio-environmental orientations having the most significant weight in most types of organizations. Moreover, the presence and importance of one or the other orientation would be related to the relevance of the internal logic and the way of understanding business and management (Martineau et al., 2017).

Martineau et al.'s (2017) model reflects the complex context in which these programs are developed and incorporate other aspects of the ethical dimension of organizations, such as corporate social responsibility (CSR) or social and environmental sustainability. It also contributes to facilitating and broadening the understanding of the ethical dimension of the organization. However, from a practical point of view, and for our work, we suggest that it is compatible with the traditional distinction between compliance and an ethical values approach because the various orientations they present could be categorized and put into practice within one of those two traditional approaches. For instance, a social and environmental orientation would fit into a *values-based* approach as it incorporates a moral dimension of business activities. The normative orientation could, in turn, have a legal (legislation) or ethical values-oriented approach (ethical principles). Something similar can happen with the structural orientation since, depending on the program's approach or orientation, the company could hire a lawyer for the position of Ethics and Compliance Officer (ECO) -*compliance* approach- or a professional specialized in managing organizational ethics – *values-based* approach-. On the other hand, the topics discussed in ethics committees could be strictly legal – *compliance-based*- or incorporate moral discussions – *values-based*.

While previous literature has advanced the understanding of the goals and intentions of E&C programs, much remains to be explored. The role of top management's moral thinking in approaching the implementation of E&C programs is a critical area that requires further study. This line of research could provide a more

nuanced understanding of the *compliance-based* and *values-based* continuum, enhancing our ability to develop effective E&C programs.

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**Assumption 6:** *The E&C program goals and intentions typically lie on a continuum of compliance and values orientations. Top management's commitment to ethics favors a values-based orientation, which is critical for E&C effectiveness.*

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### **1.6.2. The E&C program's approach to behavioral control**

The literature also suggests that the orientation of the E&C program is related to how top management understands the exercise of control and authority. This circumstance influences the orientation of E&C programs toward a more regulatory and command-and-control approach or toward self-regulation and employee commitment to organizational values (Stansbury & Barry, 2007; Tyler, 2004; Tyler & Blader, 2005; Weaver et al., 1999b).

Stansbury and Barry (2007, p. 241) define control as "a rubric for various organizational mechanisms that foster consistency, predictability, knowledge acquisition, and coordination in the pursuit of defined objectives." This definition underscores the broad scope of control as a critical management responsibility, encompassing consistency and predictability, ethical behavior, and compliance with the law (Weaver et al., 1999b). Stansbury and Barry (2007) further highlight the role of internal control practices in guiding the organization's activities towards cooperation and results and stress that how control is exercised can yield positive or negative outcomes. Their research reveals that the E&C program's approach to behavioral control can be either *coercive* or *enabling*.

A *coercive* control approach, primarily focused on detecting and disciplining violations, is associated with the *sanction-based command-and-control orientation* (Tyler, 2004; Tyler & Blader, 2005) typically present in *compliance-based* E&C programs. According to Tyler and Blader (2005), monitoring and sanction-based systems can convey a sense of distrust to employees, foster the perception that the organization is their adversary, and impact the interpersonal dynamics between those exercising

control and those being monitored. This approach can inadvertently communicate a lack of trust in employees' moral competence. Moreover, by adopting solely this approach, the organization risks assigning responsibility to employees without ensuring their understanding or ability to fulfill that responsibility (Weaver et al., 1999b), increasing the potential negative consequences of their control systems.

On the contrary, a *values-based* orientation of E&C programs generally corresponds to the establishment of *enabling* (constructive) controls (Hofeditz, Nienaber, Dysvik, & Schewe, 2017). These *enabling* controls are characterized by providing employees with guidance and clarification about the values and goals a particular control practice should seek to achieve and relying on employees' trustworthiness (Stansbury and Barry, 2007). It thus means treating people fairly and politely, caring about their rights, and sincerely letting them understand the meaning and scope of the E&C control, fostering an ethical culture and intrinsic commitment to compliance (Tyler, Dienhart, & Thomas, 2008). Thus, an *enabling* control approach would be consistent with organizational leaders who morally value the implementation of E&C practices, care about the well-being of employees, and provide the necessary resources to positively impact the organization's human richness and value. We argue here that establishing enabling controls empowers employees by helping them support and own the E&C policy or procedure. This allows employees to self-regulate by activating internal motivations for compliance (Tyler, 2004). This approach contributes to the organization's integrity. It aligns employees' values with those of the company expressed through its leaders, which are the values and principles that should prevail, so everyone works in the same direction. Therefore, we view *enabling* controls as related to a higher level of human quality treatment (Melé, 2014) and a consideration of business as a community of persons. By facilitating employees to fulfill E&C practices, the company contributes to their well-being, shows concern for their legitimate interests, and provides support to adequately address their potential work problems or dilemmas, which ultimately promotes mutual appreciation, a reciprocal relationship with the company and human flourishing (Melé, 2003; Melé, 2013; Pirson, 2020).

Weaver and colleagues (1999b) provided empirical evidence that the type of behavioral control adopted is significantly influenced by senior managers, with their ethical commitment being the most influential factor in adopting an *enabling* approach. The critical role of ethical commitment in the behavioral control orientation of E&C programs, as mentioned above, is consistent with a humanistic business narrative that frames responsibility from the inside out (Pirson, 2020).

It is crucial to note that these two approaches - *coercive* and *enabling*- are not mutually exclusive. As discussed above concerning the *compliance* and *values-based* continuum, a balanced approach will always be necessary.

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***Assumption 7:*** *The approach to behavioral control lies on a continuum of coercive and enabling orientations.*

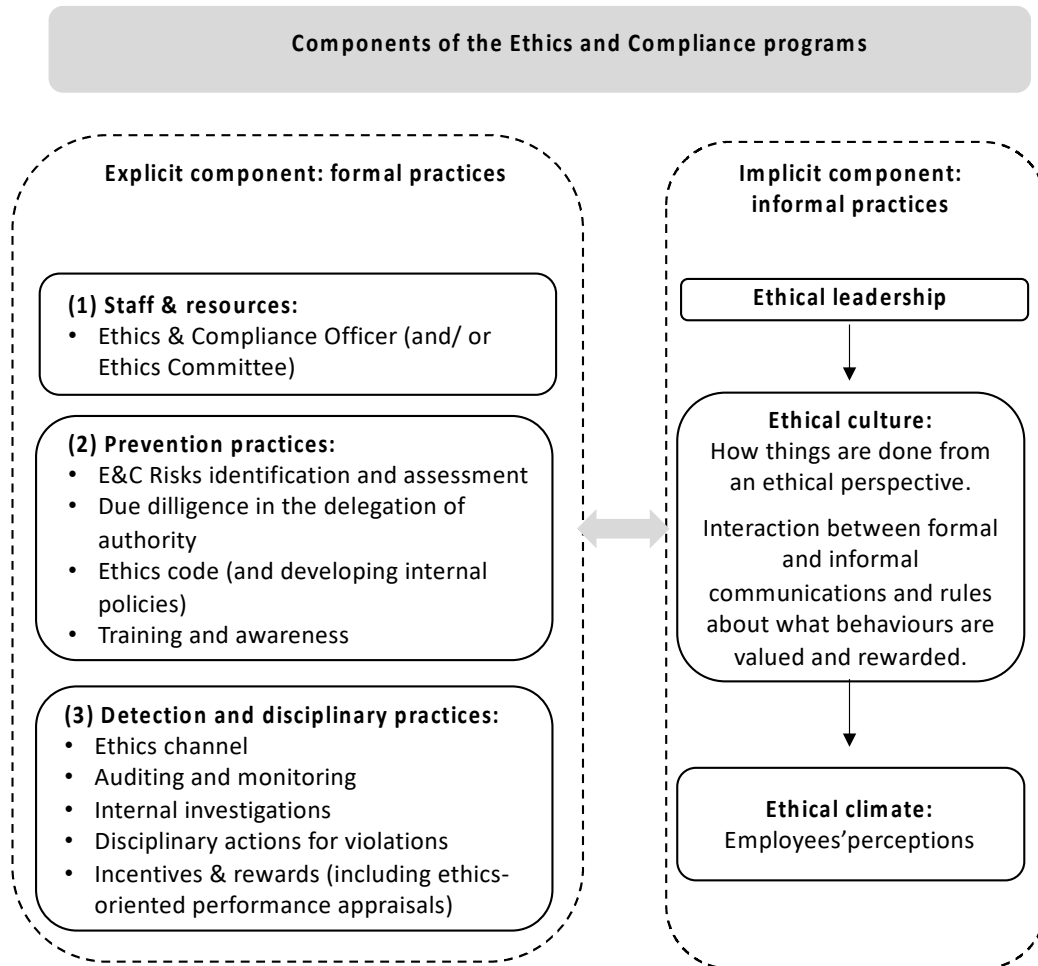
***Assumption 8:*** *Coercive controls are typically associated with compliance-based programs, and enabling controls reflect a more humanistic approach to management, and are associated with value-based programs*

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### **1.6.3. E&C program's scope and contents: explicit and implicit components**

When attempting to standardize the ethical behavior of employees (including managers), companies not only establish formal mechanisms and procedures but also engage in other types of informal actions that implicitly have a significant impact on the effectiveness of the formally established program (Brenner, 1992; Kaptein, 2009; Majluf & Navarrete, 2011; Tenbrunsel, Smith-Crowe, & Umphress, 2003). Therefore, we can distinguish between an explicit and an implicit component of E&C programs. Figure 4 below illustrates the components and scope of E&C programs as identified in the literature.

**Figure 4. E&C programs' components and scope**



**A. The explicit component: E&C Formal practices**

The explicit component of E&C programs consists of the standards, methods, procedures, processes, management tools, or structures 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 E&C programs (Kaptein, 2009) and are defined as the organization's formally expressed intentions (Tenbrunsel et al., 2003).

The number of formal practices included in an E&C program determines its scope. Having or not having a significant number of formal E&C practices appears to be determined by the extent to which managers become aware of the legal and regulatory

requirements (Weaver et al., 1999b) and, thus, influenced by external pressures. However, according to Martineau et al. (2017), the number and type of practices the E&C program comprises also vary depending on the number and type of orientations of the program itself (see 1.6.1. above), as well as the weight of each. We may conclude that (1) companies highly influenced by legal coercion (e.g., penal code) will have a stronger *compliance-based* orientation and, therefore, a higher number of formal practices, and (2) the features of the formal practices making up these programs are critically influenced by the weight a *compliance* or *ethics* orientation may have. Therefore, the tone of *compliance*-oriented E&C policies and procedures will be characterized by more legalistic language and a coercive approach to rules. On the contrary, a *values-based* orientation would allow for more approachable, informal, inspirational, and less technical language.

Furthermore, Martineau et al.'s findings (2017) suggest that the greater the size and complexity of the organization, the more extensive the scope of the E&C program is. Kaptein (2015) also 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, he also suggests (Kaptein, 2010) that when the decision to establish an E&C program is made in response to external pressures, a more significant number of formal practices do not affect the improvement of the ethical culture. Such could be the case if other organizations in the industry to which the company belongs had implemented these programs, and the company later limited itself to imitating their implementation as something formal and symbolic that had no real impact on the company's daily routines and practices (Parker & Nielsen, 2009). That would be consistent with research indicating that E&C programs, regardless of the number of initiatives they include, can be decoupled from the organization's daily routines (MacLean & Behnam, 2010; MacLean et al., 2015; Weaver et al., 1999c). Therefore, we may conclude that only formal practices motivated by a genuine commitment to ethics (driven by top managers' moral ideals) would effectively instill ethical and law-abiding behaviors.

Following previous literature (Kaptein, 2009; Kaptein, 2010; Kaptein, 2015; Majluf & Navarrete, 2011; Martineau et al., 2017; Parker & Nielsen, 2009; Remišová, Lašáková, & Kirchmayer, 2019; Reynolds & Bowie, 2004; Soutar, McNeil, & Molster, 1995; Weaver, Treviño, & Cochran, 1999a; Weber & Wasieleski, 2013), we identify ten elements commonly present in E&C programs and classify them, as shown in Figure 4, into three categories: (1) staff and resources dedicated to the E&C program, (2) prevention practices, and (3) detection and disciplinary practices.

(1) *Staff and resources dedicated to the E&C program*

This category refers to the staff and resources dedicated to managing the E&C program. The ECO represents the permanent function responsible for the strategic and operational leadership of the E&C program (Hogenbirk & van Dun, 2021). They perform an essential role, together with the commitment and support of senior management, in managing organizational ethics and advising senior management and other employees on ethical, legal, or regulatory issues (Morf, Schumacher, & Vitell, 1999; Navran, 1997; Parker, 2000). Chapter 2 of this dissertation will delve further into this critical human component of E&C programs.

(2) *Prevention practices: identification of risks and communication of behavioral expectations*

This category refers to the set of practices focused on preventing E&C risks.

First, the *identification and assessment of behavioral risks* involves the periodic identification and assessment of the legal or ethical risks faced by the company. The ethical risk assessment will be incorporated depending on the E&C program's goal and intentions. Despite its pivotal role in the E&C professional practice, risk assessment practice is surprisingly only explicitly mentioned in two academic articles in the reviewed sample (Chen & Soltes, 2018; Weber & Wasieleski, 2013). Weber and Wasieleski (2013) emphasized that this practice has gained immense importance since its inclusion



in the 2004 revision of the U.S. Federal Sentencing Guidelines. Risk assessment allows companies to take action to reduce unethical and illegal behavior by enabling the design of prevention measures based on a risk-based approach. Hence their importance.

Second, the E&C program must include *due diligence practices in delegating authority* (diligent hiring through employee screening procedures). Diligence in delegating authority is an essential and necessary element to ensure the proper functioning of the E&C program, as it allows the organization to evaluate, through screening procedures, the ethical conduct and commitment to compliance with the law of those who join certain positions. The ultimate goal is to hire leaders with integrity who support and contribute to the ethical standards of the organization (Healy & Serafeim, 2019; Kaptein, 2009). Delegating authority incorrectly is a risk that can negatively affect the organization's conduct and decisions. However, the literature warns that overly restricting the delegation of authority for fear of exposure can lead to the paradox of individuals being given responsibilities but not enough authority to fulfill them (Reynolds & Bowie, 2004).

Third, the *code of ethics* forms the basis for the rest of the E&C program's written standards and procedures and represents the foundation of the organization's ethical culture (Beeri, Dayan, Vigoda-Gadot, & Werner, 2013; Kaptein, 2009) . However, to become effective, it should be incorporated into a broader E&C program (Constandt, De Waegeneer, & Willem, 2019). This document details the moral guidelines or ethical standards for employees and, sometimes, also for suppliers (Helin, Jensen, Sandstrom, & Clegg, 2011). To fulfill its purpose, it must define what is expected and required from employees about their conduct within the company and what the consequences are in the event of non-compliance with those standards (Navran, 1997). Codes of ethics vary in length and scope and are a common practice in organizations as they help publicize their ethical commitment. To become effective, they should mobilize employees around shared values, organizational culture, and a sense of belonging to a community (Singh, 2011). One factor that can lead to the ineffectiveness of these documents is an excessive focus on legal risk management. An overly legalistic approach can create codes that excessively constrain the ethical decision-making capacity of employees, limiting their

emotional connection to the document and thus making it difficult to assimilate and implement (Adelstein & Clegg, 2016). It can also lead to codes that, far from inspiring ethical behavior, become mere strategic instruments of the company to indoctrinate employees -creating a sort of legal absolutism- and focus on achieving only business goals (Adelstein & Clegg, 2016; Helin et al., 2011).

Finally, the organization needs to make the code of ethics and other written standards known to managers and employees through the organization's *training and awareness programs and communication systems*. Part of the training may directly relate to the risks associated with the organization's legal responsibilities to minimize its vulnerability to potential litigation (Weber & Wasieleski, 2013). This content is a priority when the E&C program is *compliance-based*. However, ethics training is a vital and essential tool for employees to be qualified to identify and resolve ethical issues correctly and to develop the intention to act (Majluf & Navarrete, 2011; Ruiz et al., 2015). For example, as Bazerman and Tenbrunsel (2011) suggest, companies should train employees (including managers) to be aware of the biases that can lead to unethical behavior instead of enforcing ethics through monitoring and sanctions. However, the effectiveness of this training and communication mechanism hinges on the direct involvement of top management. Their role in training and educating those who report directly to them is invaluable (Treviño et al., 1999). E&C training, therefore, emerges as an essential element in institutionalizing ethical behavior. The difficulty lies in measuring how effective the training is. Some organizations measure how many employees have been included in the training. However, as Chen and Soltes (2018) remind us, this reflects neither the quality nor the impact of training on employees but a mere tick-in-the-box. In this sense, the training and awareness practices must help employees identify and reinforce appropriate behaviors, raise moral awareness, facilitate ethical role models, and promote that the employee retains these models (Warren et al., 2014). On the other hand, academic literature shows that face-to-face training is more effective in capturing employees' attention and helping them retain the content (Warren et al., 2014). In addition, this type of training facilitates the use of experiential approaches such as simulations and role plays, which are helpful

mechanisms when delivering ethics training in a professional and business context (LeClair & Ferrell, 2000).

(3) *Detection and disciplinary practices (enforcement)*

This category refers to E&C practices aimed at detecting and disciplining non-compliance.

First, the *ethics channel* allows employees and other company agents to report without fear of retaliation irregularities and any bad practices detected. Usually known as ethics lines or channels, they are available to employees and managers to report unethical behavior observed during their activities or to resolve employee queries (Weaver et al., 1999a). According to Calderón and colleagues (2009), it is not so much the existence of the whistleblowing channel but the form it takes. For example, the channel will not be used if the employee does not feel that the established whistleblowing mechanism protects him/her against retaliation (Trevino et al., 1999).

Second, *auditing and monitoring practices* are one of the keys to managing E&C compliance within organizations. This element helps to evaluate the effectiveness of E&C prevention practices, both in terms of implementation and results (Kaptein, 2009). In other words, it should include the detection of non-compliance with laws and regulations or internal policies and monitoring the proper functioning of controls. However, we have not found specific references to an essential aspect related to monitoring the E&C program: reporting to the highest levels of the organization so that updated information on the operation and practical application of the E&C program and the ethical performance of the organization can be channeled and communicated. However, we can intuitively assume this is implicit in the oversight and monitoring activities.

Third, the E&C program must include protocols and policies to investigate (*internal investigations*) when unethical behavior is detected and to take corrective action to prevent such behavior from recurring (Kaptein, 2009). Having effective

procedures and tools to investigate any suspicions or indications of misconduct helps demonstrate that the company has an effective E&C program (Hemphill & Cullari, 2009).

Fourth, *disciplinary actions for violations* have the potential to deter managers and employees from unethical behavior. However, if the focus of the E&C program is primarily on detection and punishment and instilling fear in employees, the effect may be counterproductive (Majluf & Navarrete, 2011). Furthermore, when employees perceive the disciplinary regime as fair, it will build a work environment where fairness prevails, positively impacting employee commitment to the E&C program and reducing unethical behaviors (Treviño et al., 1999). A sanctioning system is robust depending on its ability to detect misconduct or tolerate unethical behavior. Therefore, its robustness indicates the organization's moral and normative values (Chui & Grieder, 2020).

Finally, in addition to the existence of a disciplinary system, it is essential to create *incentives* that promote ethical behavior (Kaptein, 2009). Employees attach greater importance to this aspect of the E&C program than to the imposition of sanctions (Treviño et al., 1999). This element, together with the disciplinary regime, dramatically impacts the sense of organizational justice and can influence the behavior of individuals in the organization (Treviño & Weaver, 2001). In this sense, the achievement of economic rewards - for example, variable salary calculation - or internal promotion, when linked to a performance assessment that includes ethical criteria, demonstrates the integration of the program into the daily life of the organization (MacLean & Behnam, 2010; Weaver et al., 1999c). Moreover, when an ethical component is included in the criteria for performance appraisal, the organization ensures consistency between the behavioral expectations communicated through the E&C program and what the company values and rewards. In that case, the performance evaluation process will be considered fair, leading to better behavior (Ruiz et al., 2015).

#### **B. *The implicit component: ethical leadership, culture, and climate.***

Tenbrunsel and colleagues (2003) point out that in addition to the formal practices, it is necessary to consider the subtle or informal signals or messages that members of the organization receive about what is considered appropriate from an ethical standpoint

and what principles are truly valued. These informal practices comprise the implicit component of the E&C programs.

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

Concern for leaders' ethics, fair treatment of employees, ethical behavior that is valued and rewarded, ethical considerations being included in discussions and decisions, and a focus on stakeholders' legitimate expectations rather than the organization's self-interest are examples of these signs. When combined with the formal elements of the E&C program, these more informal practices enable the development of corporate ethical culture, which directly impacts employee actions and attitudes (Kaptein, 2010; Treviño et al., 1999). We identify three critical elements in which informal E&C practices are reflected: (1) the ethics of the organizational leaders, (2) the corporate culture, and (3) the corporate climate.

*First, ethical leadership* that encourages dialogue and debate on ethical issues can help a company recover from a scandal and contribute to the perception of an ethical climate inside and outside the organization (O'Connell & Bligh, 2009). In short, a company's integrity is a reflection of its 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 (Beerli et al., 2013; Majluf & Navarrete, 2011). Top managers must use their power to create the right atmosphere and social context for E&C practices to make sense to employees so that business ethics is not seen as an oxymoron (Bartlett & Preston, 2000; Thomas, Schermerhorn Jr, & Dienhart, 2004).

Second, 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 the *corporate ethical culture* (Kaptein, 2009). Companies that aim to live up to their stated ethical values should not only focus on implementing formal E&C practices. They need to nurture an ethical

culture continuously (Webley & Werner, 2008). According to Treviño and colleagues (1998), ethical culture influences what is considered legitimate and unacceptable in an organization. Indeed, formal E&C practices positively influence behaviors (and, thus, become effective) precisely through the organization's ethical culture (Kaptein, 2009; 2010). However, the process of establishing an ethical culture depends not only on the organization's explicit practices but also on other factors arising from the cultural and legal characteristics of the country to which the company belongs (Bu, 2018; Jackson, 1997; Palazzo, 2002) and a corporate governance model based on the values of integrity and trust (Arjoon, 2005). E&C management is not about pledging to follow the rules. Instead, it is about comprehending what the organizational culture entails and how it influences the behavior of managers and employees (Arjoon, 2005). Developing and sustaining an ethical culture requires core ethical values instilled throughout the organization through a well-implemented and comprehensive E&C program and the ongoing presence of ethical leadership, also known as the appropriate "tone at the top" (Schwartz, 2013). In this regard, ethical leadership and managers' commitment to E&C practices are critical because their social position of power can and should be used to manage the organization's ethical responsibility, motivate and inspire employees, and promote the necessary strategies (Resick et al., 2006). In addition, recent research (Cabana & Kaptein, 2024) draws attention to the critical relationship between ethical subcultures within organizations and the effectiveness of E&C programs. Ethical subcultures become the coupling mechanism between a well-implemented formal E&C program and the prevention of unethical behavior within specific teams or departments.

Finally, *ethical climate* emerges as an inextricably linked concept to *ethical culture* (Cullen, Victor, & Stephens, 1989; Victor & Cullen, 1988). Victor and Cullen (1988, p. 101) define it as the "prevailing perceptions about typical organizational practices and procedures with ethical content." However, there does not appear to be a clear consensus in the reviewed literature on whether or not the concept of *ethical climate* differs from the concept of *ethical culture*. For example, Tenbrunsel and colleagues (2003) use the term climate to refer to both constructs. However, some scholars (Kaptein, 2011; Majluf & Navarrete, 2011; Treviño, Butterfield, & McCabe, 1998)

distinguish the two. While culture has a procedural nature – "how we do things here" - the ethical climate has a substantive character in that it reveals what employees perceive as ethical conduct in the workplace (Kaptein, 2011). Although both concepts appear to be two sides of the same coin in practice, we believe it is essential to distinguish them because recent research suggests that ethical culture (how the organization meets its ethical expectations) is the source of employees' perceptions (climate). As a result, the *ethical climate* (perceptions) may be a more accurate predictor of ethical – or unethical – behavior (Kish-Gephart, Harrison, & Treviño, 2010; Newman, Round, Bhattacharya, & Roy, 2017).

The implicit component of E&C programs is critical to preventing corporate scandals. In this regard, Healy and Serafeim (2019, p. 44) suggest that the root cause of corporate misconduct "is not the systems but weak leadership and flawed corporate cultures that push employees to make the numbers at all costs."

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**Assumption 9:** *E&C programs comprise explicit (formal practices) and implicit (ethical leadership, culture, and climate) components.*

**Assumption 10:** *There is a tendency toward legalistic language and format in compliance-oriented practices and more accessible, informal, and less technical in values-oriented practices.*

**Assumption 11:** *The greater the size and complexity of the organization and/or the greater the awareness of regulatory requirements, the greater the scope (number of formal E&C practices).*

**Assumption 12:** *A higher scope can increase the E&C program's effectiveness (only if E&C practices are duly integrated into business processes).*

**Assumption 13:** *The implicit component (ethical leadership, culture, and climate – perceptions-) is critical for the effectiveness of formal E&C practices. Employees' perceptions constitute an accurate predictor of behavior.*

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#### **1.6.4. E&C Programs' degree of integration into daily corporate routines and business activities**

According to the international standard on Compliance Management Systems ISO 37301 (ISO, 2021), one of the first leadership responsibilities of top management is ensuring the integration of the compliance management system requirements into the business processes.

However, the literature suggests that E&C programs can vary in how their explicit components (formal practices) can be organizationally integrated or easily decoupled from day-to-day business activities (Cabana & Kaptein, 2024; Weaver et al., 1999c). In this regard, Meyer and Rowan (1977, p. 343) affirmed 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 organization's day-to-day activities, and as a result, ineffective (MacLean & Behnam, 2010; MacLean et al., 2015). As Meyer and Rowan (1977, p. 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 easily decoupled from daily business activities. On the contrary, management's commitment to ethics favors integrating the E&C program's practices or initiatives into the organization's processes and activities.

To this respect, MacLean and colleagues (2015) elaborated and validated a theoretical model on how E&C programs' decoupling affects the internal legitimacy of the program and employee behavior. They conclude that adopting an unintegrated E&C program, merely symbolic, superficial, and decoupled, can do the company more harm



than good, leading to internal illegitimacy perceptions. As we will explain later, employees' perceptions regarding the appropriateness or not of the E&C program – *internal legitimacy*– play a key role in employees' voluntary compliance and support.

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**Assumption 14:** *E&C programs can be integrated into (effective) or decoupled from daily business activities (ineffective).*

**Assumption 15:** *Ethics-driven implementation of E&C programs contributes to their integration into daily business processes.*

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### **1.7. What: Outcomes from the perspective of employees, the organization, and society**

Aiming to understand the outcomes of E&C programs requires obtaining a more comprehensive view of their impacts at their micro, meso, and macro levels. These outcomes are incorporated into our theoretical framework aimed at providing a better understanding of how E&C programs perform. The following sections summarize how these corporate practices may positively affect employees, the organization, and society.

We thus go beyond an instrumental, narrow-legalistic, and corporate defense approach to E&C programs and contribute to visualizing their internal value. This approach is aligned with recent theoretical models for the firm that recognize and put into value how moral factors have an impact at individual, organizational, and societal levels, contributing to human flourishing, organizational excellence, and the common good (Bernacchio, Foss, & Lindenberg, 2022).

Thus, when top management supports implementing and developing E&C programs for moral rather than exclusively pragmatic or instrumental reasons, there are positive impacts at the micro, meso, and macro levels. On the contrary, an exclusive focus on avoiding punishment or gaining a competitive advantage corresponds is far from the ethical commitment that research highlights as a necessary condition for an effective contribution to corporate integrity.

The framework of the E&C program's outcomes proposed here represents a connection between the three levels. First, we consider the influence of E&C programs' attributes on employees' perceptions of the legitimacy of these practices. Internal legitimacy emerges as a critical trigger for voluntary compliance and commitment, thus positively impacting ethical decision-making and behavior. Then, we have considered how ethical behavior can affect the organization in three ways. It not only leads to reduced fines and penalties but also improves business performance and builds a reputation based on integrity and trustworthiness, thereby confirming the practical benefits of managing ethics in organizations through these corporate practices. Finally, we show how E&C programs can help fight corruption, meet other milestones of the Sustainable Development Goals, meet legitimate stakeholder expectations.

#### **1.7.1. Outcomes at the micro-level: Employees**

Previous research highlights the critical role played by employees' perceptions of the E&C program effectiveness (Beeri et al., 2013; Pelletier & Bligh, 2006; Treviño et al., 1999; Treviño & Weaver, 2001; Treviño, et al., 1998; Weaver & Treviño, 2001). The E&C program's goals and intentions (compliance or values-based orientation), its approach to behavioral control practices, the management's tone in the development of formal elements and in the messages that are explicitly and implicitly transmitted, the culture and ethical climate of the organization, the involvement or not of employees in the development and implementation of the E&C program, or the integration or not of its practices in the day to day activities of the company may impact on the perceptions, attitudes, and behaviors of employees. We explain below how this impact materializes and what the outcomes are: (1) employees' perceptions of the E&C program legitimacy, leading to voluntary compliance, (2) employees' commitment to the E&C program and the organization, and (3) employees' ethical decision-making and behavior.

First, we find the critical role of employees' favorable perceptions of the appropriateness of the E&C program (*the internal E&C program legitimacy*). It refers to the employee's perceptions of the appropriateness or desirability of the program (MacLean & Behnam, 2010) and the professionals responsible for its administration

(Treviño et al., 2014). As Tyler (2006) points out, legitimacy is related to the human desire to give meaning to existing social arrangements - in this case, the E&C program - by evaluating them as appropriate and reasonable. Thanks to legitimacy, people feel obliged to follow a decision or norm voluntarily and not out of fear of punishment or obtaining a reward. Thus, legitimacy is essential for the success of an authority, an institution, or a social system since its ability to influence is based not only on the possession and use of power but also on its ability to obtain voluntary consent or approval of those who are subject to its scope of application.

*Internal legitimacy*, therefore, emerges as an essential factor for the effectiveness of the E&C program and the work undertaken by the ECOs (Treviño et al., 2014). E&C initiatives perceived as legitimate will motivate employees to comply with the established rules and procedures, even without supervision (Tyler, et al., 2008). Previous literature suggests (Weaver et al., 1999c) that top management's commitment to ethics favors values-based E&C programs and their integration into the organization's processes and activities, supporting the idea that top management's moral outlook positively impacts employee perceptions of the E&C program, motivating voluntary compliance (Paine, 1994; Tyler et al., 2008). We can conclude that a value orientation that is practiced and implemented through a genuine top management commitment to ethics, a coherence between the company's actions and decisions and the values and standards contained in the E&C program, and a behavioral control approach that proactively facilitates compliance will result in more significant internal legitimacy and employee support.

However, the literature identifies several factors that could undermine the internal legitimacy of the E&C program. Firstly, when employees perceive the E&C program as merely symbolic and disconnected from the organization's activities (Weaver et al., 1999c), it may contribute to the external legitimacy of the organization but not being internally legitimized (MacLean & Behnam, 2010; MacLean et al., 2015). This phenomenon has been identified as the "legitimacy façade." It occurs when the intentionality of the program is purely instrumental and focused on providing an image of compliance with external legal and regulatory pressures to achieve legitimacy and

improve the corporate image, but without actually changing the way business activities are conducted (MacLean & Behnam, 2010; Ullah, Ahmad, Akbar, & Kodwani, 2019). In addition, employees will not buy into the E&C program if leaders' actions and decisions are not consistent with the formal content of the program (e.g., the code of ethics) or if unethical behavior is not investigated and sanctioned (Baradacco & Webb, 1995), with violators punished equally regardless of their rank or position (Healy & Serafeim, 2019). Moreover, employees may react bitterly to leaders who discuss the importance of ethical behavior but refuse to follow the same rules they ask employees to follow (Pelletier & Bligh, 2006), contributing to an unfavorable assessment of established E&C practices. This phenomenon is related to the influence that perceptions of procedural justice have on legitimation processes (Tyler, 2006; Tyler et al., 2008). Finally, in line with the conclusions of the study conducted by Treviño and colleagues (2014), it is essential for senior management to internally recognize the legitimacy and value of ECOs since this is a crucial figure for the successful management of these corporate programs and a formal practice that serves to demonstrate the institutionalization of ethics in the company (Morf et al., 1999).

Other circumstances that can jeopardize internal legitimacy are the implementation of E&C practices that are not individualized to the company (Busse & Doganer, 2018) and, in the case of multinational environments, not taking into account the cultural context of the organization, as certain practices that may be effective in one context may not be effective in another (Weaver, 2001). These circumstances can create hostility (Weaver, 2001) and even anger (Busse & Doganer, 2018) from employees toward the E&C program. Furthermore, the emotional disconnect that arises when employees are not involved in developing the ethics code (Adelstein & Clegg, 2016) can also hinder favorable perceptions. Similarly, when employees do not comprehend or visualize the E&C practice's impact on enhancing the company's processes for greater efficiency and improved business outcomes (Busse & Doganer, 2018), the E&C program's legitimacy can be compromised. This underscores the importance of employee involvement in maintaining the E&C program's legitimacy.

Second, the literature reviewed also suggests that E&C programs can significantly impact employee commitment to the organization (Treviño et al., 1999; Weaver, 2001). This type of commitment, coupled with an increased willingness of employees to report problems, is generated when behavioral expectations are aligned with the organization's values and ethics. Indeed, research has proven the critical role moral identity plays. Employees develop a sense of belonging to those organizations that emphasize ethics (May et al., 2015). Conversely, suppose employees perceive the program as a tool to protect top management and shift the blame to employees in case of noncompliance or ethical lapses. In this case, the level of commitment and the willingness to cooperate by reporting problems to management will decrease (Treviño & Weaver, 2001). In this sense, according to the conclusions of Treviño and colleagues (1998), employee commitment is damaged when the prevailing ethical climate is perceived as focused on the organization's self-interest. However, organizational climates perceived as focused on employees and the community are associated with a positive effect on organizational commitment. That is, employees are more likely to identify and experience a sense of shared values in organizations that support and reward ethical behavior and emphasize the pursuit of good for employees, customers, and society. Moreover, Valentine and Fleishman (2008) found that E&C programs that embrace a corporate social responsibility orientation relate to more satisfied employees at the individual level. This critical work attitude is closely connected with employee commitment and thus reinforces the positive outcomes of values-based E&C programs.

Finally, extensive literature shows how the E&C programs may positively impact *employees' ethical decision-making and behavior*. For example, a combination of formal elements (including effective monitoring and sanction mechanisms) increases employees' moral awareness, improves moral judgments, and reduces unethical behaviors (Chui & Grieder, 2020; Rottig, Koufteros, & Umphress, 2011; Warren et al., 2014). In smaller companies, for instance, the mere presence of a code of ethics is related to improving ethical judgment (Fernández & Camacho, 2016; Valentine, Hanson, & Fleischman, 2019). In addition, Remišová and colleagues (2019) found that the code of ethics was perceived as the most powerful E&C formal element in shaping ethical

behavior of managers. Furthermore, employees' perceptions that a code of ethics, ethical training, or ethically oriented performance assessment is firmly implemented seem related to higher levels of ethical intention (Ruiz et al., 2015). In this regard, according to recent research, ethics education plans have the potential to raise substantially the trust of managers toward other E&C formal elements and, therefore, to empower the whole E&C program (Remišová et al., 2019). On the other hand, an E&C program that focuses on instilling intrinsic motivation to comply can improve employees' attitudes toward the E&C program and their intention to follow E&C rules and procedures (Hofeditz et al., 2017). In addition, E&C programs that cultivate a strong moral identity for employees and a solid moral identity for the organization will contribute to ethical behavior because employees with a strong moral identification will be less likely to engage in behaviors that deviate from their values (which, in turn, are consistent with those of the organization) (May et al., 2015).

However, although the literature reviewed consistently reinforces the positive influence of effective E&C programs in organizational behavior, some scholars draw attention to some critical limitations that should be taken into consideration. Martin and colleagues (2014) paradoxically highlight that morally disengaged reasoning can persist in any organization, even those that seem committed to effective E&C practices. They suggest that companies confident in their solid E&C programs may be especially vulnerable to subtle moral disengagement because their belief in their own ethicality encourages maintaining a positive self-image and reduces critical reflection on ethical issues. Moreover, as Vadera and colleagues suggest (2009), simply implementing an E&C program in an organization may not be sufficient to encourage employees to report unethical practices, a critical outcome expected at the micro level. In this regard, they recommend focusing more on peer dynamics (such as peer discussion groups to address the most common topics of whistleblowing communications) rather than ensuring that E&C programs are enforced. This suggestion is consistent with the critical role that, according to scholarship, enabling controls over coercive controls plays in the effectiveness of E&C programs. Finally, Michael (2006) reminds the inherent incompleteness of rules. Therefore, he urges to use the extant theoretical and practical

knowledge so companies focus on improving the skills and confidence with which employees address their ethical dilemmas, “empowering them to move beyond the confines of “legal” to the realm of “ethical” (Michael, 2006, p. 497).

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***Assumption 16:*** *Effective E&C programs contribute to positive internal perceptions of their legitimacy, leading to voluntary (internally driven) compliance, improved employee commitment, and ethical decision-making and behavior.*

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### **1.7.2. Outcomes at the meso-level: Company**

Although the most relevant outcomes of an E&C program can be seen more directly in the impact on employees' perceptions, attitudes, and behaviors, we should remember that these results, in turn, impact the organization itself. The following is a summary of what these corporate practices can accomplish at the organizational level and how their implementation undoubtedly has positive results for those companies that put them into practice: (1) *Reduction of fines and penalties*, (2) *improved long-term performance* and (3) *the firm's good reputation based on organizational integrity and corporate trustworthiness*.

First, less unethical or illegal behavior is a crucial indicator of effective E&C programs (Treviño et al., 1999). *Reducing fines and penalties* is thus a typical firm's incentive for establishing these programs (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 established guidelines for designing and implementing these programs commit fewer legal violations (McKendall, DeMarr, & Jones-Ridders, 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. According to Kaptein (2009; 2010), formal E&C practices influence ethical behaviors through ethical culture. Therefore, an ethics-driven E&C program that cultivates the

appropriate organizational ethical culture will reduce unethical behaviors and thus reduce the risk of legal penalties and fines.

*Second, improved long-term performance* is another critical outcome to consider. For example, Eisenbeiss et al. (2015) found that CEO ethical leadership can improve a firm's performance when supported by an E&C program. Furthermore, they also revealed that CEO ethical leadership influences a firm's performance through the organizational ethical culture that it generates. These findings confirm the critical interplay between the formal (explicit) and informal (implicit) E&C program components. Furthermore, Majluf and Navarrete (2011) also found that the ethical behavior pursued by E&C programs is associated with employees expecting good financial results. However, as Welch suggests (1997) the doctrine "*good ethics is good business*" has negatively impacted the credibility of ethics in business. It is not enough to be ethical to achieve immediate business profits. Therefore, it seems more reasonable to defend that there is not always a business case to behave ethically (Taylor, 2017) and that improved financial performance should be considered in the long term. Besides, it is essential to consider that within a new business paradigm sustained in responsible capitalism, the unit of analysis changes. Business success should no longer be only measured against economic profit and making as much money as possible for the firm's shareholders. On the contrary, a broader perspective of the meaning of *value creation* should be considered (Freeman, 2017) .

Finally, the *firm's good reputation based on organizational integrity and corporate trustworthiness* is another key outcome of an effective E&C program. Corporate integrity is a critical business asset (Koehn, 2005) and may contribute to business success by providing 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 ethics-driven E&C program can contribute to these goals. In addition, a company that establishes an E&C program based on a strong ethical culture that promotes adherence to values that adequately



address its stakeholders' legitimate interests and that are exemplified and put into practice by its senior executives will build trust (Hurley, Gillespie, Ferrin, & Dietz, 2013). In this sense, the academic literature points out that the establishment of effective mechanisms to comply with the law – of course, not only the letter but also its spirit – is one of the elements that contribute to the perceived trustworthiness of the organization and the attitude of trust towards it (Caldwell & Clapham, 2003).

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***Assumption 17:** Effective E&C programs contribute to reducing the company's fines and penalties, improve its long-term performance, and build a good reputation based on corporate integrity and trustworthiness.*

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### **1.7.3. Outcomes at the macro-level: Society**

This subsection summarizes how an E&C program contributes to creating value for society. Although the literature reviewed does not explicitly delve into this issue, we found it essential to highlight the impact an E&C program may have on the societal level and, most importantly, how it genuinely contributes to the socially responsible behavior of organizations and sustainable businesses that most recent international standards refer to (ISO, 2021): (1) Fighting against corruption (and other criminal practices) and contributing to other Sustainable Development Goals (SDG), and (2) attending stakeholders legitimate expectations, such as preventing harm caused by the business activities.

First, sustainability implies a moral way of acting in which the firm intends to avoid detrimental environmental, social, and economic effects (Bañon Gomis, Guillén Parra, Hoffman, & McNulty, 2011). Affirming that E&C programs may constitute the basis for sustainable business and socially responsible behavior reinforces the essential ethical grounding of sustainability and the moral motivation that it entails. Indeed, corporate E&C programs may increase internal awareness of environmental and social issues (Aluchna, 2018) and the role of corporations as moral agents (Wagner-Tsukamoto, 2009). In this regard, E&C programs may contribute to initiatives such as the SDG (United Nations, 2015) or Global Compact (UN Global Compact, 2023) and

demonstrate that those initiatives are not merely 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. E&C practices also help businesses fulfill the SDGs by contributing to the proper management and monitoring of human rights due diligence (Hess, 2021), preventing forced labor and human trafficking (Green, 2021) or meet pro-ecological norms and standards (Vasiljeviene, 2014) . In this way, E&C programs contribute to the visibility of the company's ethical commitment to society, which is linked to the responsibilities inherent in corporate social responsibility (Brenner, 1992).

Second, considering a new business narrative perspective (Freeman, 2017), nurturing mutual caring relationships between businesses and stakeholders requires recognizing that those stakeholders have a legitimate expectation that business activities will not cause them any harm. Firms play an essential social work that can be enhanced through E&C programs by incorporating considerations of ethical, social, and environmental impacts on stakeholders into their decision-making processes (de Colle & Werhane, 2008). For instance, a recent study (Gonzalo, San-José & Retolaza, 2021) proposed a corporate *moral compliance* model. This model allows the identification of situations of moral hazard that may involve any of the critical stakeholders so that businesses can adequately manage them and, thus, contribute to satisfying stakeholders' legitimate expectations of not being harmed by business activities.

Besides, by changing the unit of analysis from shareholders to the set of interdependent stakeholders' relationships, each stakeholder becomes a means and an end, benefiting from the business and contributing to *collective flourishing*. A value network is thus created, contributing to a broader and holistic perspective of doing business (Freeman, Phillips, & Sisodia, 2020). In addition, E&C programs can also contribute to the role of *companies as corporate citizens* in preserving and caring for the community where they carry out their activities (Gabel et al., 2009).

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**Assumption 18:** *Effective E&C programs contribute to the fight against corruption and other SDGs and satisfy stakeholders' legitimate expectations, such as not being harmed by business activities.*

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### **1.8. A conceptual tool to guide practitioners in building effective E&C programs.**

E&C programs are relevant business practices that provide an opportunity to build successful and sustainable organizations and contribute to socially responsible business behavior (ISO, 2021). To achieve this, however, E&C practices must be designed and developed with genuine intentionality and due quality, encompassing the company's commitment to ethics and thoroughly considering how these practices can positively influence employees' perceptions, attitudes, and behaviors.

According to our resulting theoretical model, top management's understanding of ethics and how it is institutionalized will shape the development of the E&C program and its key attributes. Top management's approach and concerns may lead to a more legalistic (compliance) or values-based (integrity) approach. Expanding on this model, we have detailed the conceptual tool shown in Figure 5. It provides a comprehensive view that identifies the critical elements or factors, such as leadership moral ideals and commitment, a balanced focus on legal compliance and integrity, or integrated E&C practices into business processes, that scholars and practitioners should focus on. It also outlines the expected outcomes, such as voluntary compliance based on internal legitimacy, that should be critically considered when assessing the quality and effectiveness of E&C programs.

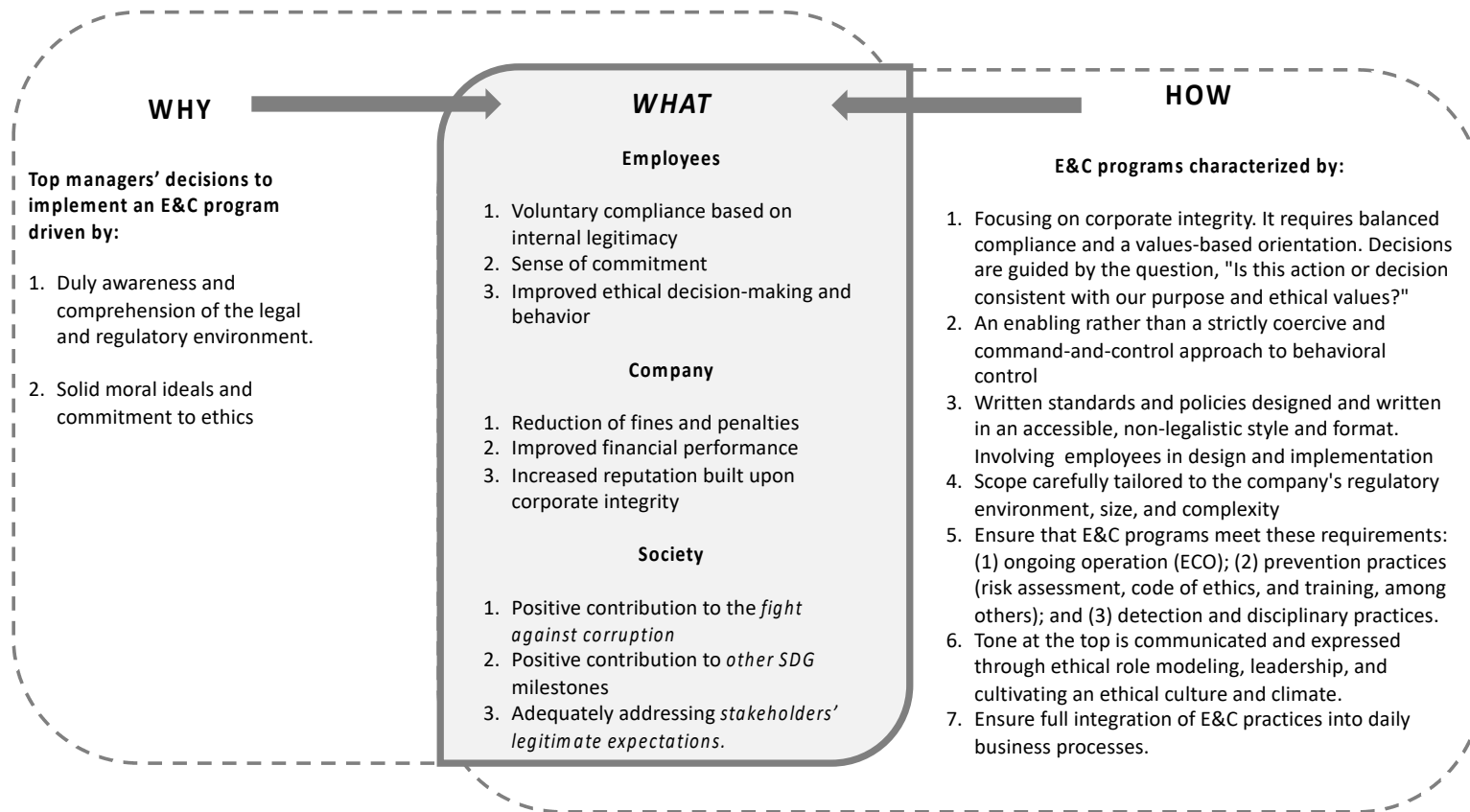
In this regard, the foundational element of the proposed tool is top management's ethical impulse and awareness and comprehension of the spirit of the legal and regulatory environment. While business leaders' commitment to ethics is crucial, it is essential to recognize that the effectiveness of E&C programs is not solely dependent on this. External pressure from governments and societal institutions plays a significant role, as they can increase top management's awareness of external regulation requirements and of the critical values and principles they entail. Hence, the

success of E&C programs relies not solely on government and regulatory bodies enforcing conduct rules but also on how they enforce, facilitating the ability of top management to be duly aware of the spirit of the legal and regulatory framework, elevate the moral sophistication of the company, and firmly transmit it throughout the whole organization.

According to the proposed conceptual tool, within an effective E&C program, the ethical impulse from the top instills a genuine focus on corporate integrity that leads to a balanced approach to legal compliance and ethics. This fosters decision-making that is guided not by what the law allows the company to do but by what the company should do according to its purpose and values. This ethical impulse is inextricably linked to an alternative way of understanding corporate governance and management that genuinely cares about the people involved in the company's processes and activities in a way that cultivates and fosters an enabling approach to behavioral control. An enabling approach to behavioral control is more effective than traditional coercive and command-and-control methods in promoting voluntary compliance and employee engagement and positively influencing ethical decisions and behavior. However, this does not negate the need for a coercive approach. The literature supports the positive outcomes of balancing compliance sanction-based and integrity-based approaches. In addition, effective E&C programs should be characterized by written standards and policies that are accessible and not overly legalistic, with a scope tailored to the company's regulatory environment, size, and complexity. Besides, employees should be considered, listened to, and duly involved in designing and implementing the practices. Companies also should establish a permanent function to manage the E&C program (ECO) and well-implemented prevention, detection, and disciplinary practices. Finally, an ethical tone at the top must be communicated and expressed through ethical role modeling and leadership, cultivating an ethical culture and climate, and integrating E&C practices into daily business processes.



**Figure 5.** A Conceptual tool for building effective E&C programs for a new business narrative



### **1.9. Contributions and limitations of the study, and suggestions for future research**

The contributions of this study are theoretical, practical, and societal. First, the critical review and synthesis of the literature presented contributes to the delineation of a contemporary theoretical framework that extends previous theoretical models of E&C programs by explicitly incorporating top management motivations (the why) and linking them to how the firm develops these programs and the effects they may have internally on employees (as a separate level from the organization itself), the firm, and, externally on society. Although previous models of E&C programs have focused on the impact of explicit (*hard controls*) and implicit (*soft controls*) components on the behavior of managers and employees and the effect on the organization and stakeholders (Kaptein, 2010), our model expands this perspective. It focuses on the causes and motivations as a core factor that critically affects the effectiveness of firms' efforts to implement these corporate practices. The model thus conceptualizes E&C programs along three key dimensions: (1) why top management decides to implement and support an E&C program, (2) how these intentions and commitments are formally or implicitly expressed, and (3) what the outcomes are for employees, the firm, and society. In addition, the proposed framework for employee-level outcomes goes beyond simply influencing ethical behavior. It emphasizes the critical role of their perceptions of legitimacy. This topic has played a secondary role in the E&C management literature. Our model thus contributes to a more nuanced understanding of how intentions, formal development, and outcomes are profoundly interrelated and may or may not contribute to the successful operation and fulfillment of the E&C program.

Second, it contributes to professional practice. Based on the proposed theoretical framework, we have developed a conceptual tool within which companies can develop E&C programs that are fully aligned with the ethical expectations, motivations, and values of the persons who make up the company and the expectations of key stakeholders and regulators. This tool, when further operationalized, has the potential to benefit E&C professionals. It can serve as a bridge between the academic and professional worlds by providing a theoretical framework in which E&C programs are developed and what is needed for their successful implementation. In this sense, the

moral maturity of top management and the internal legitimacy of E&C programs emerge as critical factors that companies should focus on. The first factor emerges as a crucial component of the true intentionality and alignment of E&C practices with corporate integrity and contributions to a new business narrative. The second factor is the cornerstone of a positive impact (and thus of a successful and effective E&C program) at the individual, organizational, and societal levels. In addition, our contribution can stimulate reflection and debate within companies on the moral sophistication of their E&C practices, thereby increasing awareness of the profound influence that top management's moral thinking and commitment to ethics can have.

Third, we also contribute from a societal perspective. The proposed theoretical model increases awareness of how effective ethics and legal compliance management in companies can contribute to business sustainability, achieving the SDGs, and generating a positive impact on society, overcoming the traditionally self-centered, narrow legalistic and corporate defense approaches.

However, the main limitation of this study is the restrictive nature of the search criteria. The above means that the result of this literature review can only contribute to drawing a general framework and does not allow us to delve further into the cause-effect relationships between the different dimensions or to go deeper into the relationship between the characteristics of these programs and the different outcomes proposed at the micro, meso, and macro levels.

Finally, in light of the literature gaps identified, we suggest the following opportunities for research that will be addressed in Chapters 2 and 3:

- a) Literature findings critically point to the internal legitimacy of the E&C program as an essential outcome that helps explain why these programs are or are not accepted and followed by employees (including managers). In this context, ECOs are the professionals who manage and implement these programs. Exploring ECOs' experiences regarding how employees perceive their roles and initiatives would provide valuable data to unveil the existing difficulties or obstacles to E&C programs' internal legitimacy.



It would offer an opportunity to extend the existing theoretical framework of this yet under-explored topic.

- b) Top management's ethical motivation and commitment is critical in preventing unethical behavior and promoting an ethical culture. However, the literature has not yet explicitly fully addressed the relationship between top management's moral outlook and the purpose and intent of the E&C program. Nor how it can ultimately be reflected in the E&C program's critical attributes. A theoretical study could provide a more nuanced perspective.

In addition, future research could advance knowledge about other critical aspects of the implementation and effectiveness of E&C programs, such as how the legal and regulatory environment (and other external institutional constituents, such as industry or professional associations) might enhance top management's ethical intentionality and commitment when approaching the implementation of these corporate practices.

### **1.10. Conclusions**

Based on the current state of knowledge on E&C programs, we can affirm that the combination of top managers' sound moral ideals, their awareness of the legal and regulatory environment (the spirit over the letter), and well-implemented and integrity-oriented E&C programs' components (both explicit and implicit) lead to positive outcomes for employees, the company, and society.

However, it is equally important to note that employees' positive perceptions of the adequacy of E&C programs are not to be overlooked. These perceptions are key in fostering voluntary compliance with internal rules. Employees' daily exposure to effective E&C programs, which endorse ethical and law-abiding behavior, has a profound impact on the organization's ethical culture and how it is perceived. In this context, companies must recognize the crucial role of the internal legitimacy of their E&C program in driving successful organizational ethics management, making it the cornerstone of these corporate practices' effectiveness. Therefore, they should pay

close attention to how E&C programs shape employees' perceptions, attitudes, and behaviors rather than just focusing on enacting rules, monitoring non-compliance, and imposing disciplinary measures (a narrow legalistic and corporate defense approach).

Finally, we conclude by reflecting on the ultimate contribution of effective E&C programs, particularly in a new business narrative focused on value creation at societal and environmental levels and not just the pursuit of economic profits. A business narrative where stakeholders are not mere instruments but an end on themselves. Recent theoretical models of the firm recognize and value how moral factors impact individual, organizational, and societal levels, contributing to human flourishing, organizational excellence, and the common good (Bernacchio et al., 2022). Business leaders should, therefore, be aware of the positive outcomes of E&C programs at the micro (employee), meso (organizational), and macro (societal) levels that go far beyond corporate defense or reputation-oriented strategies. Moreover, only a commitment to ethics will allow them to see E&C programs as morally valuable tools that ultimately serve the common good. This idea is consistent with a humanistic approach to organizational management that we see reflected in Freeman's ideas about a new way of conceptualizing business (Freeman, 2017) that considers the interests and well-being of all stakeholders, such as employees, customers, suppliers, communities, and the environment to create sustainable value. Most importantly, it recognizes that businesses operate in a complex web of relationships and that addressing the needs and concerns of all stakeholders is essential for ethical and effective management that serves some sort of collective flourishing (Freeman, Phillips, & Sisodia, 2020). We interpret *collective flourishing* as equivalent to a universal or collective common good.

The common good is a concept that, according to Melé (2009, p. 85), encompasses "everything that can contribute to authentic human flourishing" and is constituted under four core aspects: socio-cultural values (that include full respect for human dignity and human rights) that allow for a peaceful living and cooperation, organizational conditions, economic conditions, and environmental conditions. Therefore, E&C programs serve to:

- (1) Providing employees with a heightened awareness of the importance of ethical values in their work activities, leading to a greater sense of belonging and commitment to the organization and improving ethical decision-making and behavior, which ultimately contribute to a sense of meaningful work (a sense of purpose in fulfilling E&C practices bureaucracy).
- (2) Establishing controls to prevent corruption and other criminal activities, ensuring full respect for human rights (for example, in supply chains), and adhering to further ethical standards, such as treating customers or suppliers fairly.
- (3) Providing mechanisms for organizational justice (fair hiring and promotion, incentives and rewards, and so on).
- (4) Enabling an improved financial performance that can support human growth (employees can receive their salaries, or suppliers can provide their services, and everyone can enjoy a reasonable level of well-being).
- (5) Contributing to compliance with environmental standards that enable the preservation of suitable habitats for future generations.

To this end, however, E&C programs must be based on responsible management from the inside out (Pirson, 2020).

Effective E&C programs (contributing to the common good), therefore, require top managers to embrace a moral philosophy and strategic vision encompassing a broad concept of business. They should consider the legitimate interests of various stakeholders, visualize each of them in the realm of humanity, take a long-term approach, and consider social responsibility alongside economic profit. Thus, this work and the following chapters encourage business leaders and E&C practitioners to visualize and consider the internal value of E&C programs and their positive impact at the individual, organizational, and societal levels. These corporate practices need to be reframed in the context of a new business paradigm and their ultimate contribution to the common good. This approach can fuel an intrinsic motivation to implement E&C practices and overcome a narrow legalistic approach, thereby preventing efforts to institutionalize and effectively manage ethics in business from falling apart.



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CHAPTER 2. BARRIERS TO THE INTERNAL LEGITIMACY OF  
CORPORATE ETHICS AND COMPLIANCE PROGRAMS: A  
MODEL BASED ON THE PRACTITIONERS' VIEWS



## 2.1. Introduction

Business scandals have required specialized responses from regulators to correct and control corporate behavior. Indeed, governments, regulatory bodies, and international agencies have enacted legal measures, incentives, or guidelines to encourage organizations to adopt formal internal mechanisms, commonly called Ethics and Compliance (E&C) programs, to standardize and improve corporate governance and behavior. The U.S. Federal Sentencing Guidelines for Organizations and the Spanish Criminal Code, reformed in 2010 and 2015, are examples of how legal coercion and incentives may contribute to the profusion of these programs. Furthermore, international standards such as the recent ISO 37301:2021 on Compliance Management Systems (ISO, 2021) reinforce the importance of E&C programs in managing conduct risk and improving the organization's ethics and legal compliance. E&C programs are thus an excellent example of how institutions are enforced by external constituents (Meyer & Rowan, 1977).

In the contemporary business environment, E&C programs are widely acknowledged as essential for robust corporate governance. They foster ethical conduct and legal compliance among employees, cultivating a positive organizational environment (Treviño et al., 2014). However, their backing and endorsement within the organization may wane if employees (internal audiences) fail to perceive these programs as appropriate. This could undermine the significance of E&C practices and pave the way for the normalization of misconduct (MacLean & Behnam, 2010).

*Legitimacy* is "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995) p. 574). Although already used to address the study of E&C programs or some of their practices (Long & Driscoll, 2008; MacLean & Behnam, 2010; MacLean et al., 2015; Treviño et al., 2014), the literature on the E&C program's legitimacy is still scarce (Abratzky, Remisová, & Lavsáková, 2022). It has not yet sufficiently addressed the factors that might hinder employees' positive evaluations of these programs, especially those related to the organization's internal

aspects. However, legitimacy matters. The legitimacy of managerial directives or power structures leads to voluntary compliance (Tyler & Lind, 1992). Therefore, acceptance and voluntary compliance with E&C practices depend on favorable legitimacy judgments (Tost, 2011). The above underscores the importance of legitimacy for the effectiveness of E&C programs in firms, and the need for further exploration.

Ethics & Compliance Officers (ECOs) manage and operate E&C practices daily. In doing so, they deal with the perceptions, attitudes, and behaviors of managers and employees and thus have access to a wide range of sensitivities and mindsets of the internal audiences of E&C programs. For this reason, they have become a promising source of information about how these programs work (Weber & Wasieleski, 2013). Guided by the research question, "What obstacles do ECOs perceive in obtaining favorable judgments from their internal audiences about their role and the E&C programs they manage?" this study aims to understand the barriers to internal E&C programs' legitimacy in companies. To this end, we use the lens of legitimacy-as-judgment theory to identify those perceived difficulties or obstacles. We also explore and theorize, building upon previous studies, why they may negatively affect employees' legitimacy judgments.

This study uses a qualitative-interpretive approach based on in-depth interviews with 20 ECOs to give them a voice and explore their experiences. The interviews' analysis sheds light on various barriers that may prevent or hinder employees from making favorable judgments about the appropriateness of E&C practices (including the role of ECOs). These barriers have several sources: (1) the personal characteristics of the actors involved (ECOs in their role as legitimacy agents - and legitimacy subjects - on the one hand, and employees as evaluators -legitimacy granters- on the other), (2) the characteristics of E&C practices, and (3) the internal situational context of the organization. As a result, we distinguish three sets of internal barriers: person-level, structure-level, and internal situational-context-level, and develop a model to explain which factors can lead to unfavorable evaluations of the propriety and validity of E&C programs and, ultimately, to their overall perceived internal illegitimacy. Unraveling these barriers provides a more nuanced understanding of how internal illegitimacy of



E&C programs occurs and finds ways to address employees' negative evaluations and buy-in.

The remainder of this study is organized as follows. It begins with a literature review on the theoretical background of legitimacy and legitimacy-as-a-judgment, the role of E&C programs and the ECOs, and the role of internal legitimacy in E&C programs' effectiveness. Secondly, it explains the research methodology. Then, it presents the relevant findings and discusses them. Finally, it provides some conclusions.

## **2.2. Theoretical framework**

Drawing on established theories of legitimacy and the literature on E&C programs, this section outlines the conceptual underpinnings that guide this study. In doing so, it serves as a lens through which to interpret the findings and to understand the phenomena examined within a broader theoretical context.

### **2.2.1. Legitimacy- as-a-judgment: A multilevel and multidimensional approach**

Legitimacy has long been recognized as a fundamental process of social organization (Johnson, Dowd, & Ridgeway, 2006; Suddaby, Bitektine, & Haack, 2017), and it can be addressed from three different perspectives (Suddaby et al., 2017): (1) as a property, an asset or a characteristic that can be gained, increased or lost (Suddaby et al., 2017), (2) as an interactive process of social construction (Berger & Luckmann, 1967), and (3) as a perception that involves some kind of judgment or evaluation (Bitektine, 2011; Tost, 2011).

When legitimacy is addressed as a judgment, the actors that confer legitimacy (or do not) become the focus of interest as they judge the appropriateness or adequacy of the object. In that case, legitimacy is studied as a multilevel process of social judgment formation in which different components of legitimacy interact (Bitektine & Haack, 2015; Haack, Schilke, & Zucker, 2021): *propriety*, *consensus*, and *validity*. *Propriety* refers to the individual-level component of legitimacy, and it is defined as an evaluator's

personal belief that the essence, qualities, or actions of an entity are appropriate for its social context (Tost, 2011). *Consensus* is a collective-level construct recently elaborated by Haack and colleagues (2021) that describes the degree to which individuals within a particular group agree regarding *propriety* beliefs. Therefore, individuals' evaluations attain collective-level legitimacy through consensus. *Validity* is another collective-level component representing the individuals' generalized and shared belief that an entity is perceived as appropriate by significant others in the evaluator's reference group. According to Bitektine and Haack (2015), individual evaluators are more likely to judge a valid legitimacy entity as proper, so validity cues critically influence employees' overall evaluations of an entity's appropriateness. Individual judgments are thus influenced by collective validity, either in the form of approval by a recognized authority, such as governmental regulators, or in the form of endorsement by peers, such as when a common opinion is shared. When an entity (for instance, an E&C program) attains a collective-level validity, regardless of how each person is actually evaluating, its legitimacy is taken for granted.

Furthermore, the literature points out that legitimacy as an individual judgment (micro-level) occurs in two differentiated modes of information processing: evaluative (active) or passive. When evaluators actively assess legitimacy, they take the time and make a cognitive effort to deliberate on the available information before deciding whether an entity is appropriate or inappropriate. Following Tost's (2011) integrative model of legitimacy judgments, within the evaluative mode, three dimensions of active judgments' contents must be considered: *instrumental*, *relational*, and *moral*. An entity (for instance, an E&C practice) would be viewed as legitimate on instrumental grounds when it is perceived to facilitate the individual's or group's attempts to reach self-defined or internalized goals or outcomes and, therefore, it implies a self-interested calculation (*what do I get from this?*). Hence, the *instrumental dimension* of legitimacy includes perceptions or beliefs about the entity's effectiveness, efficiency, or utility (Tost, 2011).

The *relational legitimacy dimension* refers to the evaluators' perceptions that an entity affirms their social identity and self-worth and ensures they are "treated with

dignity and respect and receive outcomes commensurate with their entitlement” (Tost 2011, p. 694). For instance, a corporate practice would not be legitimized on relational grounds if perceived as unfair or not benevolent (*how am I being treated?*). Indeed, favorable relational legitimacy evaluations are hindered if the social entity (a corporate practice in our case) does not communicate that employees are accorded respect, dignity, and status within the group context and through group membership (Tyler & Lind, 1992; Tyler, 1997). However, Treviño and colleagues (2014) move beyond Tost’s notion of relational legitimacy to also consider the legitimacy seeker’s wish to forge a positive personal rapport with the legitimacy evaluator so she or he does not become an antagonistic and the evaluator may feel really taken-into-account and valued. It is important to note that the relational dimension of legitimacy connects to the concept of procedural justice (whether people feel they have a voice, whether they think the procedures are neutral, whether they feel respected, and so on), which is a critical factor for granting legitimacy to authorities (Tyler, 2017; Tyler & Lind, 1992).

Finally, the *moral legitimacy dimension* refers to perceptions that an entity is consistent with the moral and ethical values of the evaluator. Therefore, a moral legitimacy judgment relates to perceptions or beliefs about the morality or integrity of the entity (is it right?). In this regard, Melé and Armengou (2016) argue that the moral legitimacy evaluation of a project (we could extrapolate it to a corporate practice) should be based on sound ethical principles, and they propose as a reference the Aristotelian concept of substantive justice and the common good. Therefore, a moral evaluation should include considerations of justice and what is good beyond narrow self-interest. It is important to note that, according to Melé (2009), the concept of the common good is broader than the idea of "common welfare," "general interest," or the sum of particular interests. It includes "everything that can contribute to authentic human flourishing" (Melé, 2009, p. 85), and it is configured under four critical aspects: socio-cultural values, organizational conditions, economic conditions, and environmental conditions. It is thus a concept that includes considerations such as full respect for human dignity and rights, preventing corruption, human growth, or preserving an adequate human habitat for present and future generations. Therefore,

from a moral perspective, an E&C practice can be judged based on (1) how it relates to a fair use of power by the firm; (2) how it entails values such, amongst others, respect for human rights, safety, freedom or order; (3) contribute to establishing organizational conditions that prevent corruption or effectively respect laws and regulations; (4) favor some economic growth that contributes to a reasonable level of well-being for everyone or; (5) contribute to protect the environment.

Tost (2011) points out that the three dimensions explained above are not mutually exclusive. Indeed, these three types of evaluations may overlap as the individuals' perceptions or beliefs may fall into one or more judgment categories simultaneously. According to Tost (2011), the degree of overlap is moderated by several variables, such as the organizational culture (social context) or the value orientation of each person (the characteristics of the evaluators), which determine whether instrumental, relational, or moral content dominates the legitimacy evaluation. Moreover, when persons have a high level of social identification and commitment to the organization, they develop an intrinsic orientation to the group that predisposes them to relational and moral judgments of organizational policies and practices as these considerations become highly personally relevant. In this case, instrumental judgments are less critical, and relational and moral judgments mainly drive individual-level legitimacy evaluations.

However, when legitimacy evaluators judge in the passive mode, they either use salient cues that serve as cognitive shortcuts (heuristics) that stimulate or inhibit the formation of their legitimacy judgments, or they simply passively assume or take for granted the legitimacy of entities that conform to cultural expectations (Bitektine & Haack, 2015; Tost, 2011). The above salient cues are typically referred to as *validity cues*. As mentioned above, research distinguishes between two types of validity cues: authorization and peer endorsement (Johnson et al., 2006; van den Broek, Langley, Ehrenhard, & Groen, 2023). Thus, contrary to active evaluations, validity judgments rely on heuristics based on observed validity signals rather than the effortful cognitive processes required for instrumental, relational, or moral evaluations (Tost, 2011). In this regard, we might conclude that validity cues contribute to cognitive legitimacy,

considered the most enduring and essential form of legitimacy (Deepphouse & Suchman, 2008; Suchman, 1995). According to Tost (2011), cognitive legitimacy represents a passive evaluation, as it does not imply any active judgment, and it is associated with the perception of taken-for-granted at the collective level, which means that no one questions it and, therefore, the absence of any evaluative content. That is where its power lies.

According to recent multilevel theories of legitimacy (Haack et al., 2021), individual evaluations play a critical role in achieving collective-level legitimacy through consensus, contributing to the growing interest in the micro-foundations of legitimation processes. The present study focuses on the factors that may hinder employees' favorable legitimacy judgments of E&C practices according to Tost's (2011) integrative model, thus focusing on the micro-level of legitimation processes.

### **2.2.2. The E&C function: Corporate E&C programs and the ECOs' role**

E&C programs can be defined as a set of control mechanisms (Kaptein, 2009; Stansbury & Barry, 2007; Weaver et al, 1999b) that companies or other organizations implement to standardize employees' ethical and law-abiding behavior (Christina & Fort, 2020; Weaver & Treviño, 1999; Weaver et al., 1999b). Those mechanisms or practices may range from informal to more explicit and formal. They can be defined as “any rule, method, procedure, process, management tool, structure or institution that presents an essential teleological character aiming at increasing consciousness, reflection, and ethical behavior in an organization at the individual, collective or strategic level” (Martineau et al., 2017) . In other words, the purpose of E&C programs is “to push legal and ethical values so far down into everyday organizational life that it becomes a part of the everyday reflexes of the company” (Parker, 2000). It is important to note that these definitions imply that E&C programs pursue some sort of moral good. That is to say, the company acts with integrity and follows ethical values and principles (including compliance with the law). Indeed, international standards such as the recent ISO 37301:2021 on Compliance Management Systems (International Organization for

Standardization, 2021) refer to these programs as contributing to socially responsible behavior and sustainable business.

Previous research has shed light on the formal initiatives and practices that constitute E&C programs (Kaptein, 2015; Majluf & Navarrete, 2011; Martineau et al., 2017; Remišová et al., 2019; Weber & Wasieleski, 2013). Considering this literature, existing practitioner guidelines and standards (e.g., ISO 37301:2021), and the Ph.D. candidate's professional experience in the field, we found that E&C practices can be categorized into three main categories: (1) staff and resources dedicated to the program, (2) rules and procedures to prevent misconduct, and (2) detection and sanctioning tools and processes (including reporting to appropriate corporate decision-making bodies).

The first category, staff and resources dedicated to the program, refers to the permanent function responsible for the strategic and operational leadership of the E&C program (Hogenbirk & van Dun, 2021): The ECOs and the assigned team. They perform an essential role in managing organizational ethics and advising senior management and other employees on ethical, legal, or regulatory issues (Morf et al., 1999; Navran, 1997; Parker, 2000), aiming to produce ethical and law-abiding employees through effective ethics initiatives (Adobor, 2006; Hogenbirk & van Dun, 2021; Treviño et al., 2014).

Although previous studies (Kaptein, 2015) only found an indirect negative relationship between the ECO and the unethical behavior of the members of an organization, the ECO plays a vital role in designing and implementing E&C practices, such as the code of ethics, training programs, or monitoring and disciplinary measures, that increases employees' moral awareness, improves moral judgments, and reduces unethical behaviors (Chui & Grieder, 2020; Rottig et al., 2011; Warren et al., 2014). Besides, a recent study highlights how ECOs' innovation and creativity are crucial in improving programs' effectiveness (Hogenbirk & van Dun, 2021). The ECO thus emerges as a critical change agent that may contribute to transforming E&C programs into helpful instruments for improving a firm's ethical performance (Parker, 2000).

However, exercising this role is not without its own set of problems and difficulties. First, the company must ensure an organizational structure and governance framework that provides the ECO with the necessary means and resources to instill and monitor ethical responsibility (Parker & Nielsen, 2009). In addition, ISO 37301:2021 explicitly calls for independence and professional autonomy (ISO, 2021). However, their autonomy and absolute independence can be questioned because they depend on who they supervise through employment contracts (Hoffman, Neill, & Stovall, 2008). Secondly, a conflict of interest arises when they also assume the role of legal advisors or company lawyers. In this sense, Treviño and colleagues (1999) suggest that in-house lawyers may have some limitations in performing this role, as they are primarily trained to protect the organization from legal problems and not to deal with ethical issues. Thus, a legalistic approach is inadequate when the root of the difficulties companies must deal with is ethical. Therefore, it seems more appropriate to recognize this function as a new profession distinct from in-house lawyers (Parker, 2000).

Moreover, previous research has drawn attention to the internal challenges these professionals must face when seeking to legitimize their role and the internal initiatives and practices they manage (Treviño et al., 2014). We could even consider this formal position as a means of responding to institutional demands by signaling to stakeholders that the firm is taking action to improve organizational ethics. External stakeholders may easily be aware that a firm has appointed an ECO if it makes it visible through press releases or by attending professional conferences. However, it is less evident whether the ECO has the necessary internal support or the actual effectiveness of the position (Chandler, 2014). In the following subsection, we explain why internal support and endorsement, and the resulting internal legitimacy issues, are essential to the effectiveness of E&C programs and motivate this research.

### **2.2.3. Internal E&C programs' legitimacy**

Legitimacy and its connections with the internal support and endorsement of corporate ethics practices seem, according to a recent bibliographic study (Abratzky et al., 2022),

underexplored in E&C literature. As Treviño and colleagues (2014) suggest, it has played a silent role. The term *Internal Compliance Program Legitimacy* -ICPL- was introduced by Maclean & Behnam (MacLean & Behnam, 2010, p. 1501). They define it as individuals' "legitimacy perceptions of their organization's formal compliance program." Treviño et al. (2014) undertook a grounded theory study based on 40 semi-structured interviews with ECOs in which the legitimacy perspective revealed considerable potential for understanding organizational ethics. They proposed a theoretical model identifying three constructs to explain ECOs' legitimacy: facilitating conditions, challenges, and work tactics. This work contributed, amongst others, to highlight that ECOs struggle with internal legitimacy, and they may play a critical role in employees' perceptions by undertaking specific works to increase or maintain it.

Despite the paucity of literature on the legitimacy of internal E&C programs, legitimacy theory sheds light on three critical issues that companies and E&C practitioners should consider: (1) E&C programs that gain legitimacy from their external audiences may not gain it from their internal ones, (2) internal legitimacy contributes to the effectiveness of E&C programs because it provides employees with an internal motivational guide that results in a willingness to comply that then translates into actual compliance, (3) pressures from the institutional environment may lead firms to implement formal E&C practices that are easily decoupled from the organization's day-to-day activities, becoming only a façade that ultimately lead to misconduct. These critical issues are further explained below.

First, E&C programs, like any other organizational practices, are *subjects* (or objects) of *legitimation* (Deepphouse & Suchman, 2008). Legitimacy implies a set of constitutive beliefs on the subject (Suchman, 1995) that external or internal audiences can hold (Elsbach, 2003) and, thus, they may be perceived in different ways depending on who is evaluating them (Deepphouse & Suchman, 2008). According to Bitektine (2011), external audiences are represented by the organization's external constituents, such as regulators, media, professional bodies, unions, or business associations. Internal audiences are represented by the organization's insiders, such as employees, managers, or members of the board (Bitektine, 2011; Ruef & Scott, 1998). However, as previous



literature points out (MacLean & Behnam, 2010; MacLean et al., 2015; Treviño et al., 2014), formal E&C programs that attain legitimacy from their external audiences (contributing to the organization's external legitimacy) may not earn it from its insiders. Therefore, companies should pay attention to the internal legitimacy of their corporate practices and not take it for granted.

Second, if the true goal of E&C programs is to standardize ethical and legal behavior among employees and contribute to the creation of an ethical organizational culture, as previously defined in the E&C literature (Kaptein, 2009; Martineau et al., 2017; Treviño et al., 2014), it is worth considering how these programs are actually perceived and supported by those whose behavior they are intended to influence. Previous research concludes that employees' perceptions and attitudes toward E&C programs play a critical role in their effectiveness (Beerli et al., 2013; Pelletier & Bligh, 2006; Treviño & Weaver, 2001; Weaver & Treviño, 1999). For example, perceptions of the legitimacy of E&C programs send a revealing signal about how employees (individually or collectively) feel about them and thus as evidence of their attitudes (Hybels, 1995). Indeed, a significant effect of legitimacy is an increased likelihood of cooperation and compliance with rules and regulations (Levi, Sacks, & Tyler, 2009). From a psychological perspective, when employees make sense of E&C practices and perceive them as appropriate, these practices influence employee behavior through their ability to achieve voluntary compliance (Tyler & Blader, 2005; Tyler, 2006; Tyler et al., 2008). Therefore, a critical outcome of employees evaluating an E&C practice as appropriate is a sense of willingness to comply that translates into actual compliance (Levi et al., 2009). This sense of willingness would not come out of fear but from the perception or belief that the E&C practice is legitimate (Tyler, 2006). Therefore, legitimacy can be understood as an internal value, similar to the role played by moral values, which becomes "an internal motivational guide to behavior" (Tyler, 2006, p. 389). Precisely, this subtle link between legitimacy and moral motivation is consistent with the idea that the moral dimension of legitimacy has become, according to some scholars, the core source of social acceptance, implying a more robust judgment than typically instrumental or pragmatic reasoning (Palazzo & Scherer, 2006). Indeed, it has been

argued that moral legitimacy is the true meaning of the word legitimacy (Koppell, 2008; Melé & Armengou, 2016) implying that it is always inevitably related to some kind of moral evaluation. In addition, the internal legitimacy of the E&C program is also essential because it can also serve as a source of additional resources (e.g., increasing the budget allocated to the E&C function) or as a mechanism to strengthen the organization's reputation internally (Drori & Honig, 2013). Thus, internal legitimacy emerges as an important goal that companies should focus on and care about if they are genuinely interested in the effectiveness of E&C management practices.

Third, the institutional environment can lead corporations to implement formal E&C practices solely as mechanisms or instruments to avoid punishment, to benefit from specific incentives (e.g., a competitive advantage), or as a strategy to preserve their external legitimacy. A case in point is the adoption of codes of ethics, one of the most common formal ethics practices (Schwartz, 2013). They may be regarded as an "institutionalized organizational structure that extends some form of legitimacy to organizations" (Long & Driscoll, 2008, p. 173). Another example is the creation of corporate ethics and compliance positions (ECOs) or ethics committees (Chandler, 2014). However, these E&C practices may become mere window dressing, decoupled from the organization's day-to-day activities, and thus ineffective (MacLean & Behnam, 2010; Meyer & Rowan, 1977; Stucke, 2013). As Meyer and Rowan (1977) pointed out, these practices may become rational myths whose legitimacy is only based on the supposition that they are rationally effective. Therefore, when organizations adopt these programs only as a response to external pressures or with a purely instrumental purpose in mind (such as having grounds for a legal defense in case of a corporate scandal, obtaining a competitive advantage, or improving their image and reputation), it may lead to the adoption of mere symbolic E&C programs. As MacLean and Behnam (2010) suggest, these practices are not integrated into day-to-day activities, which results in a lack of internal legitimacy and contributes to the marginalization of the E&C program that enables the institutionalization of misconduct.

The present study is therefore situated within the theoretical framework described above. It focuses on the micro-level of the internal legitimation process of

E&C programs (individual evaluations), utilizing experiential data obtained by ECOs via their interactions with a broad range of employees' perceptions, attitudes, and behaviors. The following section outlines the methods, techniques, and procedures for collecting and analyzing this data.

### **2.3. Research methodology.**

By transparently detailing the research process, this section aims to facilitate critical evaluation to ensure the rigor and credibility of the study's findings.

#### **2.3.1. Justification and research questions**

The present study followed inductive research relying on an interpretive approach of qualitative data obtained through in-depth semi-structured interviews with 20 ECOs from Spain-based corporations. A qualitative research approach allows for coping with the complex context of individuals' perceptions and their pluralistic reality (Brand, 2009). It intends to give voice to several individuals on how they experience a particular phenomenon (Creswell & Poth, 2016), delving into their thoughts, perceptions, and feelings (Treviño et al., 2014). ECOS thus become "knowledgeable agents" and our role as researchers is to give them a voice and provide an adequate account of their experience (Gioia, Corley, & Hamilton, 2013). Survey instruments would have, in this study, limited potential to grasp the complexities of individuals' experiences and the contexts in which those experiences occur (Crane, 1999).

E&C programs' internal legitimacy judgment formation requires attention to employees' cognition, which manifests in how employees communicate about these corporate practices (Bitektine & Haack, 2015). In this regard, ECOs are crucial actors in institutionalizing and managing ethical practices and initiatives, having access to a broad range of employees' perspectives and sensibilities. They are thus well positioned to provide a broader perspective of what is happening in the organizations and inform about a wide range of employees' attitudes and reactions. In other words, they offer an

opportunity to obtain a broader picture to explore how various factors and circumstances may come into play. Thus, they are a promising source for understanding the barriers to legitimizing ECOs and the E&C initiatives they manage inside the organizations. It is important to note that the term *employees* is considered in the broad sense of the term, and it also includes senior management.

The overarching research question is what difficulties or obstacles ECOs perceive in attaining favorable judgments from their internal audiences regarding their role and the E&C programs they manage. However, as the study moved forward, the initial research question split into three critical sub-questions:

*R1.* What factors might hinder favorable internal audiences' legitimacy judgments about corporate E&C practices (including the ECOs' role)?

*R2.* What are the sources of those factors?

*R3.* What dimensions of legitimacy evaluations are associated with these factors?

### **2.3.2. The research context: Corporate E&C practices in Spain**

E&C programs started to increase in Spain after the Penal Code introduced criminal liability for organizations in 2010. Moreover, in 2015, a new reform established that legal entities could be acquitted or obtain an attenuation of liability if they proved that they have adequate corporate governance and internal control mechanisms to avoid committing crimes by board members, senior managers, or employees.

These new legal pressures and incentives related to criminal behavior in organizations led to a greater interest by companies in developing these programs. This phenomenon is similar to what happened in the U.S. in the 1990s when the U.S. Federal Sentencing Guidelines for Organizations (FSGO) led to a proliferation of E&C programs in companies. The proliferation of E&C programs in Spanish organizations was also accompanied by the birth of several associations of compliance professionals that, among other initiatives, created white books and charters to professionalize the E&C

function. Some examples are the *Spanish Compliance Association (ASCOM)*<sup>1</sup>, *Cumplen*<sup>2</sup>, or the *Instituto de Oficiales de Cumplimiento (IOC)*<sup>3</sup>. The names of the associations indicate, at least initially, the typical compliance orientation of these programs in Spain since the word ethics is not included in any of their names. It is also important to note that the compliance phenomenon has created a new market niche for legal and consulting firms.

However, even before the enactment of corporate criminal liability, E&C initiatives were already being practiced in Spain, primarily in the financial and pharmaceutical sectors. This early adoption was driven mainly by multinational companies, which had already developed E&C programs due to their headquarters' countries' regulatory requirements and the entry into force of several EU directives on financial instruments and market abuse enacted in 2007. The pharmaceutical industry, self-regulated by private bodies like *Farmaindustria*<sup>4</sup>, also played a significant role. However, other sectors in Spain mostly started implementing E&C programs immediately after the 2015 reform of the Criminal Code, as incentives encouraged them to establish organizational and control mechanisms to prevent criminal conduct and avoid any criminal liability.

Nevertheless, implementing E&C programs, at least according to the most recent international standards (ISO, 2021), goes beyond legal and corporate defense strategies. They strengthen the principles of good corporate governance, facilitating the fulfillment of ESG (Environmental, Social, and Governance) criteria and enhancing the 'G' of governance. More importantly, they help integrate ethics into daily business activities and address the impact of business on stakeholders. Their potential to contribute to a new business paradigm or narrative, where the ultimate purpose goes beyond maximizing profit for shareholders, is significant. However, it still needs to be fully appreciated. E&C programs, if adequately designed and implemented, are central to

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<sup>1</sup> Asociación Española de Compliance (ASCOM) <https://asociacioncompliance.com/>

<sup>2</sup> Asociación Cumplen <https://www.cumplen.com/>

<sup>3</sup> Instituto de Oficiales de Cumplimiento (IOC) <https://www.iocumplimiento.org/>

<sup>4</sup> Farmaindustria is the National Trade Association of the Spanish based pharmaceutical industry [https://www.farmaindustria.es/web\\_en/](https://www.farmaindustria.es/web_en/)

companies' contribution to a more ethical and sustainable world and, ultimately, a critical tool for companies to contribute to the common good.

### **2.3.3. Sampling and data Collection**

The study followed a purposeful sampling of professionals currently undertaking the role of ECO in firms based in Spain (headquarters or a subsidiary). A total of 20 semi-structured interviews were conducted in Spanish between December 2020 and June 2022. Still, two former ECOs who had recently left their companies' roles were also included in the sample. They both provided interesting insights into the difficulties of managing E&C programs and initiatives. The interviews allowed us to obtain both retrospective and actual real-time accounts of the phenomenon (Gioia et al., 2013).

Initial informants were obtained by contacting ECOs from Spain-based firms we knew, and through the snowball technique (Creswell & Poth, 2016) to complete the data gathering. We considered that differences in hierarchical positions would likely influence responses for quality sampling purposes. Therefore, the research focused only on ECOS holding the highest level of responsibility in the function, at least at the local level (e.g., Chief Officers or Heads of Function), to ensure some homogeneity in the selection. However, given the explorative purpose of the research, we collected data from different tenures, academic backgrounds, sizes, and organizational structures. We also considered a balance of gender and age and access to ECOs' experiences in various industry sectors to attain a balanced sample and collect data on various business activity profiles. A total of 25 professionals were reached, and 20 agreed to participate as informants.

Interviews ranged from 36 to 108 minutes and averaged 56 minutes. Audio recordings were all transcribed verbatim. Besides, either before or during the interview, participants' socio-demographic data was collected. The sample covered experiences in local or foreign multinationals operating in Spain (the standard criteria was Spain-based). The female-to-male interviewees' and the regulated-to-nonregulated firms' ratios were 8 to 12. The industries represented included banking, pharma,

transportation, food, energy, construction, metallurgy, contact center, manufacturing, real estate, infrastructure management, telecom, and automotive. Two ECOs had experience in public sector companies, and one was currently undertaking the E&C role at an SME (all interviewees, except one, worked for companies with more than 250 workers). Table 4 provides further details of the research participants' socio-demographic characteristics.

The data processing and ethical aspects of the research were approved by the Academic Committee of the Doctoral Program.

**Table 4.** Informants' socio-demographic characteristics

Informant	Job title	Tenure in E&C	Work experience	Age	Gender	Academic background
1	Ethics & Compliance Director	5-10	15-20	30-39	Female	Engineering
2	Head of Compliance, Risks, and Transparency	2-5	5-10	40-49	Male	Engineering
3	Compliance Director	10-15	>20	50-60	Male	Law
4	Regional Compliance Officer Europe Africa	5-10	10-15	30-39	Female	Law
5	Compliance & Internal Audit Director	10-15	>20	50-60	Female	Law
6	Legal & Compliance Director	10-15	>20	40-49	Male	Law
7	Head of Compliance	10-15	>20	50-60	Male	Economics
8	Chief Ethics & Compliance Officer	10-15	>20	50-60	Male	Business Management & Law
9	Chief Ethics & Compliance Officer	5-10	15-20	30-39	Male	Law
10	Head of Internal Audit, Compliance, and Data Protection	10-15	>20	50-60	Female	Economics
11	Legal Services & Compliance Director	5-10	15-20	30-39	Male	Law
12	Chief Ethics & Compliance Officer	10-15	>20	50-60	Male	Law
13	Legal Manager & Compliance Officer	5-10	15-20	40-49	Female	Law

Informant	Job title	Tenure in E&C	Work experience	Age	Gender	Academic background
14	Chief Compliance Officer	5-10	>20	40-49	Male	Law
15	Chief Compliance and Risk Officer	10-15	>20	50-60	Male	Law
16	Compliance Officer	2-5	10-15	40-49	Female	Business Management
17	Regional Compliance Officer	5-10	15-20	40-49	Male	Pharmacy
18	Head of Compliance	15-20	>20	50-60	Female	Chemistry
19	Regional Risk and Compliance Officer	5-10	>20	50-60	Female	Law
20	Legal & Compliance Director	2-5	>20	50-60	Male	Law & Philosophy

Before the interviewing process started, we prepared an interview protocol (a sample of questions is included in Appendix 2). However, the protocol changed as the research moved forward in the interviewing process to address new emerging ideas and topics raised—for instance, the COVID pandemic and the difficulties and challenges posed to the E&C function-. Saturation was achieved in interview 16. To facilitate the diffusion of the research, we translated the key exemplifying quotes into English. It is important to note that the final transcriptions required some editing to fully reflect the sense of oral language in the final wording.

#### 2.3.4. Data analysis

Before the codification process of each interview began, we read the transcripts with the audio, familiarized ourselves with the content of each interview, and extracted the main ideas as preliminary themes.

The analysis took place in two distinct stages: (1) Codification of the interviews and (2) an analysis of each second-order theme considering Tost's (2011) integrative model for legitimacy judgments.

The first stage (data codification) adopted an inductive approach. It focused on using codification techniques to provide an answer to the first two research questions:



(1) What factors might hinder favorable internal audience legitimacy judgments about corporate E&C practices (including the role of ECOs)? and (2) What are the sources of these factors? Although an interpretive approach gives voice to the informants, it does not diminish our judgment as researchers. Rather, we undertook the task of interpreting and structuring the informants' statements in light of both contextual factors and prior theorizing (Nag & Gioia, 2012)

We followed Gioia's methodology, widely recognized as a systematic technique for undertaking inductive-qualitative research that ensures qualitative rigor (Fernandes & Randall, 1992; Gioia et al., 2013; Gioia, 2021). The codification took place in three different phases. Initially, the Ph.D. candidate identified first-order categories that adhered to the informant's terminology and language to identify the phenomenon (*what is happening here?*). As she advanced in coding, the data analysis became an iterative process where we looked for similarities and differences so we might identify relations among them. Therefore, as codification progressed, the Ph.D. candidate merged first-order categories with similar contents. For example, in analyzing the data, she found that ECOs referred to poor top management attitudes toward E&C management issues in a variety of ways, such as no time on board agendas to discuss E&C issues, a reluctance to change the status quo, or a poor attitude or concern toward E&C management. We identified their relationship and created a unique first-order category called "inadequate tone and attitude toward E&C issues."

This phase was followed by identifying second-order themes (axial coding) in which we undertook the role of a knowledgeable agent (Gioia et al., 2013), trying to identify concepts in the literature that might help us to describe and provide a better understanding of the phenomena observed (*why is this happening?*). Once the Ph.D. candidate obtained a complete set of first-order and second-order codes, she improved the data structure in the third phase. In this phase, she looked for aggregated dimensions, gathering similarities among second-order themes and turning them into overarching dimensions. As a result, we categorized second-order themes at different levels (persons, structures, and internal situational context), as reflected in the data structure in Figure 6 below.

We used the NVivo software program only as a qualitative data management tool to organize and facilitate codification. It is important to note that the objective was to uncover potential difficulties and challenges that might hinder positive internal legitimacy evaluations of E&C practices in companies, according to the professional experiences of ECOs, and not to enumerate frequencies (statistical generalization). Therefore, no quantification of themes by the number of references or informants' accounts was considered. However, no second-order theme represents fewer than five informants' accounts, and most of them (9 themes out of 11) are represented by at least eleven informants' testimonies. Despite the breadth of the sample in terms of industries and ownership, the findings were relatively homogeneous in the sense that similar difficulties seemed to be common to the experiences of ECOs, regardless of their profile and the particularities of the firms.

The second stage of the analysis aimed to respond to the third research question: What dimensions of legitimacy evaluations are associated with these factors? For this purpose, we used the theoretical lens of Tost's (2011) integrative model of legitimacy judgments to identify the legitimacy evaluation content associated with each second-order theme (the barriers). To this end, we analyzed each second-order theme according to the following questions based on the dimensions of legitimacy judgments (E&C programs are correct, appropriate) suggested by Tost (2011): instrumental, relational, and moral (active evaluation mode) and validity assessment (passive evaluation mode):

(1) Instrumental evaluation:

Could this factor make the employee perceive that the E&C program lacks utility, efficacy, or effectiveness? Could it foster an unfavorable self-interest calculation? Could it make the employee consider that the E&C program is not fulfilling her or his more significant material interests (not promoting the material interests of the employee)?

(2) Relational evaluation:

Could this factor make the employee consider that the E&C program is not communicating that employees are accorded respect, dignity, and status (within the organization context and through organization membership)? Could it make the

employee think the E&C practices do not affirm her or his social identity or self-worth?  
Could it make the employee consider the E&C program or a particular E&C practice is unfair or not benevolent?

(3) Moral evaluation:

Could this factor make the employee consider that E&C practices are inconsistent with sound ethical principles? Could it make the employee think that the E&C practice is wrong based on the principle of justice and contribution to the common good?

(4) Validity belief formation:

Could this factor cause the employee to perceive a lack of approval or support from relevant others, thus forming a negative validity belief about the E&C program?

**Figure 6. The data structure of E&C programs' internal legitimacy barriers**

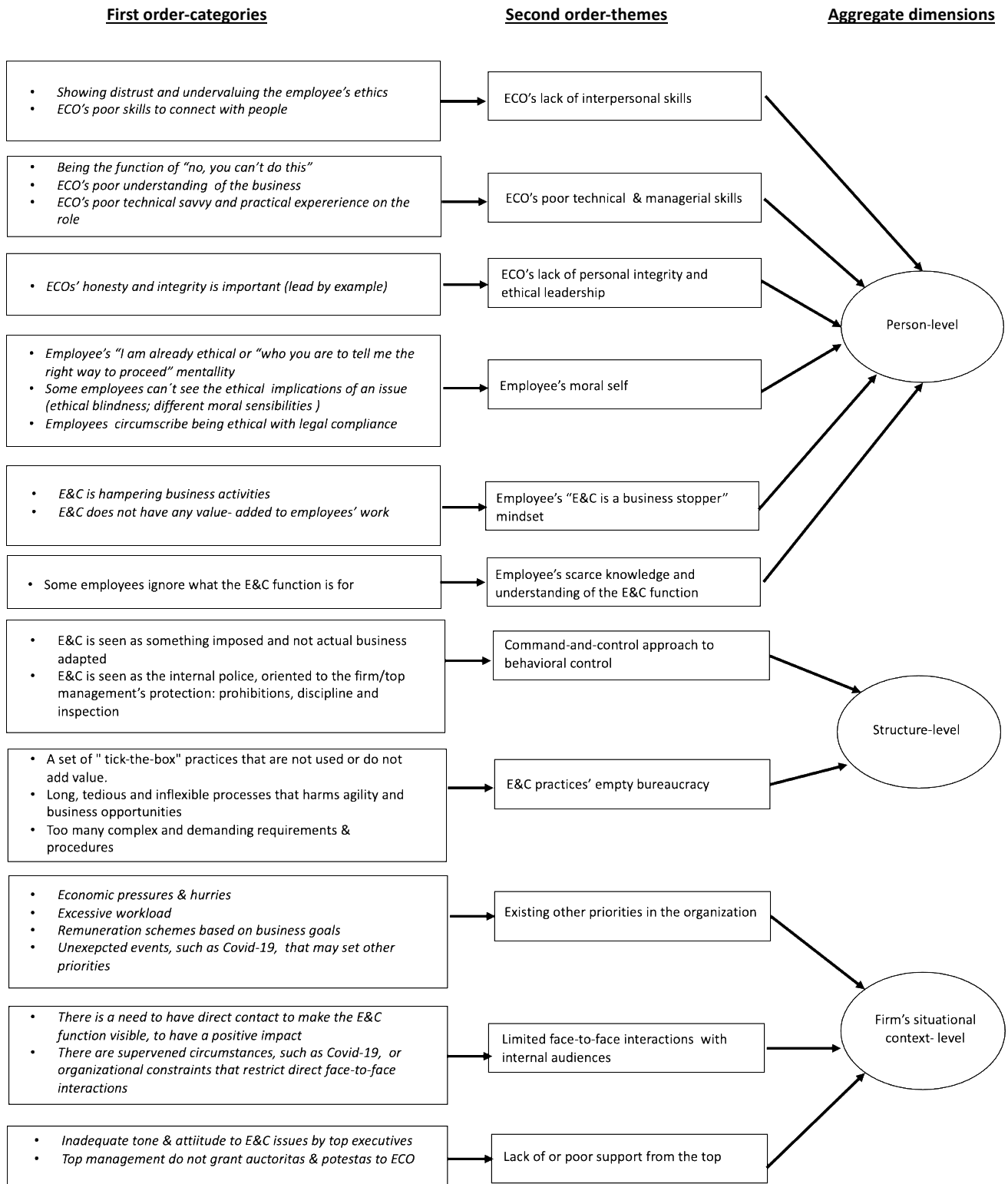


Table 5 below connects Tost's definition of legitimacy dimensions with the criteria used for the analysis.

**Table 5. Criteria for the analysis of each second-order theme (Tost 2011)**

	<b>E&amp;C program's propriety's instrumental evaluation:</b>	<b>E&amp;C program's propriety's relational evaluation:</b>	<b>E&amp;C program's propriety's moral evaluation:</b>	<b>E&amp;C program's validity belief formation</b>
<i>Tost's (2011) legitimacy dimension definition</i>	Consideration of the effectiveness, utility, or efficiency	Affirmation of the evaluator's social identity and self-worth. Evaluators perceive that the entity is fair and benevolent and treats them with dignity and respect.	Consistency with the evaluators' ethical values	A perception of generalized legitimacy based on considerations of the entity's endorsement or approval by others.
<i>Criteria for identifying legitimacy judgment contents associated with each second-order theme</i>	<p>Could this factor make the employee perceive that the E&amp;C program lacks utility, efficacy, or effectiveness?</p> <p>Could it foster an unfavorable self-interest calculation?</p> <p>Could it make the employee consider that the E&amp;C program is not fulfilling her or his more significant interests?</p>	<p>Could this factor make the employee consider that the E&amp;C program is not communicating that employees are accorded respect, dignity, and status (within the organization context and through organizational membership)?</p> <p>Could it make the employee think the E&amp;C practices do not affirm her or his social identity or self-worth?</p> <p>Could it make the employee consider the E&amp;C program or a particular E&amp;C practice unfair or not benevolent?</p>	<p>Could this factor make the employee consider that E&amp;C practices are inconsistent with sound ethical principles?</p> <p>Could it make the employee think that the E&amp;C practice is wrong based on the principle of justice and contribution to the common good?</p>	<p>Could this factor cause the employee to perceive a lack of approval or support from relevant others, thus forming a negative validity belief about the E&amp;C program?</p>

The results of this analysis are exhibited in Table 6 below.

It is important to note that Tost's (2011) integrative model of legitimacy judgments suggests that the three dimensions of what she defines as an evaluative mode (active judgment) of legitimacy are not mutually exclusive. E&C programs may be evaluated simultaneously on all three dimensions or a subset. Indeed, these three dimensions may overlap. For example, a critical E&C program practice, such as the appointment of an ECO, may be rated highly effective (favorable instrumental evaluation) if the ECO demonstrates high technical and managerial skills. However, suppose the employee highly values efficiency as a moral standard. That observation may also fall under the moral dimension and contribute to a favorable moral legitimacy judgment.

**Table 6. Legitimacy judgments' content analysis of each barrier**

Barriers	Judgment content analysis	Legitimacy judgment mode and content			
		Active			Passive
		Instrumental	Relational	Moral	Validity beliefs
ECO's lack of interpersonal skills	ECO's attitudes and interactions are not affirming employees' social identity and self-esteem. It hinders employees' beliefs that they are taken into account or even beliefs about the ECO's morality (personal legitimacy).		●	•	
ECO's lack of integrity and ethical leadership	ECO's attitudes and interactions hinder employees' beliefs on their role's morality (personal legitimacy).			●	
ECO's poor technical and managerial skills	A perceived lack of utility or effectiveness of the ECO's role. It might also hinder employees' beliefs about the practice's morality (personal legitimacy).	●		•	
Employee's "E&C is a business stopper" mindset	It hampers employees' perceptions of E&C practices' utility as they hinder internalized business goals and expected outcomes. E&C practices might be inconsistent with employees' moral and ethical considerations about the role of business (e.g., shareholders vs stakeholders' approach).	●		•	
Employee's moral self	E&C practices are inconsistent with employees' moral and ethical considerations. E&C function is not affirming employees' moral identity and self-esteem (they might feel untrusted).		•	●	
Employee's scarce knowledge & understanding of E&C	Limited knowledge about the scope and understanding of the E&C function affects instrumental (utility), relational (fairness and benevolence of the practices), and moral (integrity of the practices) evaluations.	●	●	●	
E&C practices' empty bureaucracy	It hampers employees' internalized goals and expected outcomes by slowing down business processes (lack of utility). Increased workload perceptions. It may hinder beliefs about the practice's morality or integrity, particularly if employees value practices' efficiency and utility.	●		•	
E&C practices' sanction-based and command & control approach	Perceptions of being not treated with dignity and respect. E&C practices are seen as unfair or not benevolent. Imposition makes employees feel they are not taken into account. Still, it may also hinder beliefs about the practice's morality or integrity if employees believe the moral obligation of the organization is to rely on employees' trustworthiness and good practices.		●	•	
Other priorities in the organization	E&C practices hamper employees' internalized goals and expected outcomes as other priorities exist. It might also be perceived as inconsistent with moral considerations (i.e., COVID-19 health issues).	●		•	
Lack of or limited face-to-face interactions	It may hinder employees' beliefs that they are taken into account. The utility or effectiveness of the ECO's role is more challenging to perceive, and lack of direct contact could be morally negatively judged.		●	•	
Lack or poor support from the top	Employees observe a lack of authorization or endorsement from relevant others inside the organization, hindering the E&C program's validity belief.				●

● Primary • Secondary

This table may be surprising because it shows the moral dimension of the legitimacy judgment associated with all barriers. It is important to note that the moral dimension here refers to an evaluation based on certain sound ethical principles. According to Melé and Armengou (2016), these ethical principles should be based on principles of substantive justice and the common good. Furthermore, they proposed criteria for morally evaluating an action or decision (or, in our case, a corporate practice), according to which the morality of the intended end, the means chosen to achieve that end, the concurrent relevant circumstances of the action or activity, and the foreseeable consequences should be considered. Thus, an excessive bureaucracy that leads to inefficiency could also be judged morally unfavorable if employees consider the efficiency and practical utility of an E&C practice as a moral standard. The inefficiency of E&C programs, for example, could be seen as not contributing to its intended end (e.g., preventing corruption) and not contributing to any positive impact, either for the organization itself or society. Similarly, employees' moral selves or a traditional business mindset that contributes to viewing E&C programs as a hindrance to business become a barrier to positive moral evaluations in the sense that it may prevent employees from understanding the ultimate moral good of an E&C practice and its actual contribution to socially responsible behavior (beyond simply seeking profits for the company). Therefore, while not all barriers would play a primary role as obstacles to positive moral evaluations, they may all have some influence.

### **2.3.5. Trustworthiness of the study**

We were aware of the sensitive nature of some topics that might be covered in the interviews, such as informants' references to compliance and business ethics events that could pose critical reputational or legal risks to the companies they currently work for or have worked for. Referring to this information could expose them to social desirability bias (SDB). SDB can be defined as the tendency of individuals to deny those traits that they perceive to be socially undesirable and to admit those behaviors that they perceive to be acceptable (Brand & Slater, 2003). We kept in mind that the perceived social



pressure on companies (and their executives) to put the proper controls in place (SDB as "trait desirability") and self-deception or impression management (SDB as "need for social approval") might influence individual responses (Fernandes & Randall, 1992). Therefore, we attempted to mitigate the risk of biased responses and contribute to the reliability of the findings by ensuring accuracy and honesty in two ways: First, by reducing self-selection bias by engaging in the recruitment process through direct approaches rather than soliciting volunteers (Brand & Slater, 2003). Second, we emphasized establishing a trusting relationship with the informant by clearly explaining the research objectives and emphasizing that they were contributing to improving the E&C function and helping other ECOs and that there were no right or wrong answers. Because the Ph.D. candidate was a former E&C professional and had performed as an ECO, there was a climate of trust and fellowship during the interviews that made the interviewee feel comfortable enough to speak openly and be self-critical when necessary.

We also strengthened and reinforced anonymity during the interview and the transcript's editing process as one of the critical measures to keep SDB to a minimum (Wagner-Tsukamoto, 2009). No names were recorded during the interview, and any data that could compromise the informant was deleted from the transcripts. Furthermore, a participant number served to identify the informants' data. We also produced a consent document for participants to agree to record and to inform them how data will be treated (including all the data privacy regulatory requirements applicable to Spain).

In addition, as mentioned above, the previous experience of the Ph.D. candidate as an ECO in the banking industry and in a public company for almost 20 years, as well as her active academic role in the Spanish Compliance Association (ASCOM), positively contributed to the research. This prolonged engagement with the sample population is considered to increase the *credibility* (Lincoln & Guba, 1985) of the qualitative findings, as it allowed a broad view of the role of the ECO and its nuances, as well as the practical implementation of E&C programs. Furthermore, to ensure a high quality of testimony that allows for *confirmability* in interpreting the data, we provide multiple accounts of

informants' testimony in the overview section of the findings and supplement it with additional quotes in Table 8 (Nag & Gioia, 2012; Treviño et al., 2014). Besides, the qualitative findings were also discussed informally with some informants and other E&C professionals to confirm that they made sense to them (for example, the findings were shared in some teaching sessions for E&C professionals). Findings were also shared at international academic conferences and thus discussed with academic peers. Moreover, it is worth noting that many of the emerging concepts and ideas are consistent with the previous study by Treviño and colleagues (2014).

Moreover, for data triangulation and to ensure that findings reflect *dependability*, that is, they are consistent and stable from another point of view (Lincoln & Guba, 1985), the dissertation advisor reviewed the analysis after each stage. When interpretations differed, we analyzed the data together to reach an agreement. Besides, we were cautious and rigorous in the data collection process, using open-ended questions and adopting the abovementioned measures to prevent SDB and elicit spontaneous and unbiased answers. We followed Gioia's method (Gioia et al., 2013; Gioia, 2021) to codify and analyze the interview transcripts.

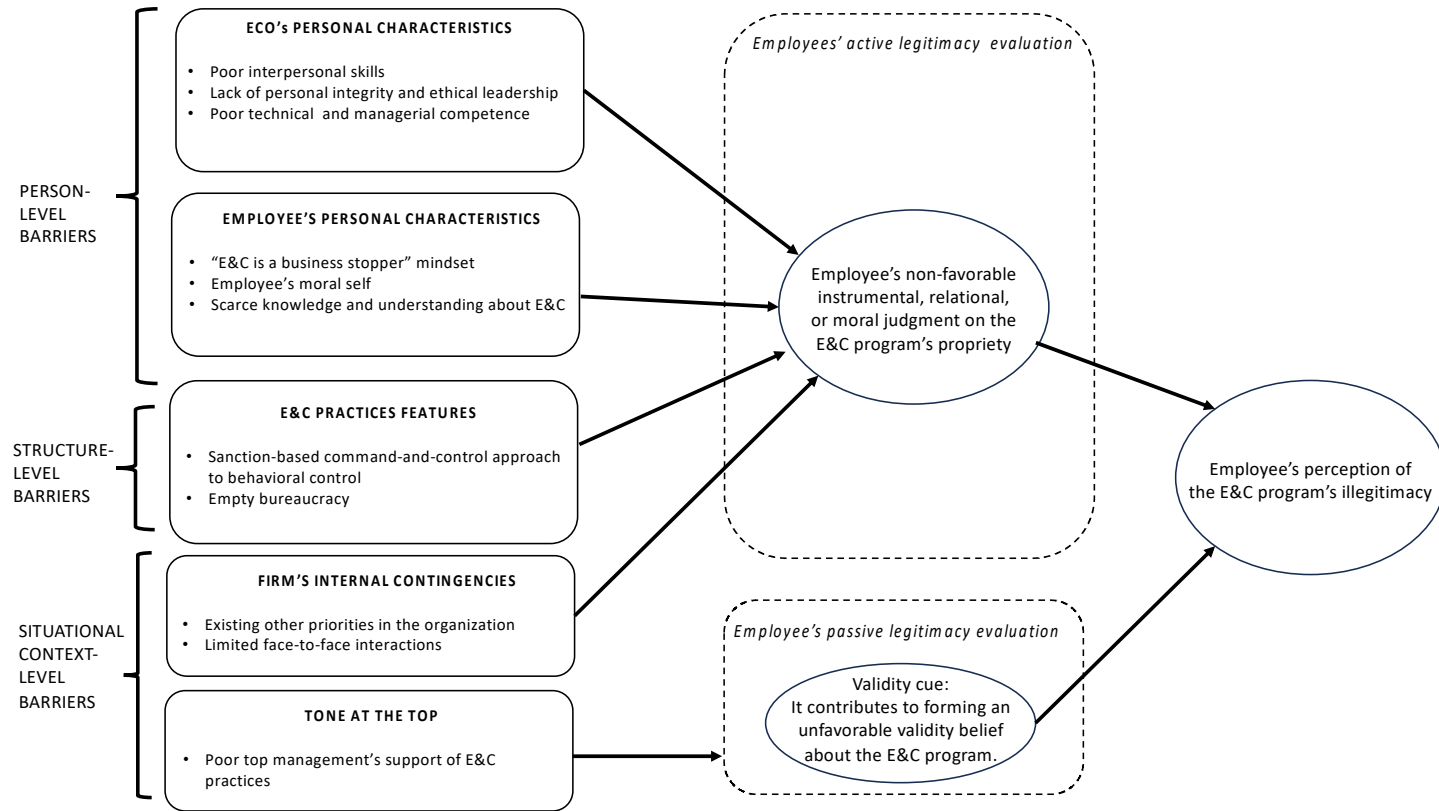
Finally, considering that the essential elements of an E&C program and the practices used by companies for its implementation and development are broadly accepted and internationally recognized (e.g., ISO 37301:2021) and that the external pressure led by legislation and regulatory requirements in Spain is similar to those occurring in other countries (e.g., US), we believe that the qualitative findings, as described in the following section, could be extrapolated and, thus transferable, to other jurisdictions, and hence contribute to the principle of *transferability* (Lincon & Guba, 1985). Likewise, the research findings have implications beyond ECOs, as other corporate roles, such as sustainability officers or similar roles involved in institutionalizing and managing corporate practices, are likely to face similar legitimacy challenges.

## **2.4. Findings overview**

The findings show that there are three major sets of barriers that might explain employees' non-favorable legitimacy judgments on the E&C programs: (1) person-level (related to personal characteristics of the actors involved: the ECO and the employees), (2) structure-level (related to the characteristics of the E&C practices and procedures themselves), and (3) internal situational context-level (associated to internal circumstances affecting the firm). Most of these barriers relate to employees' non-favorable instrumental, relational, or moral judgments on the E&C practices' propriety and, thus, are relevant in the employee's active legitimacy evaluation mode. However, poor management's support would relate to employees' passive legitimacy evaluation as a validity cue, thus contributing to a non-favorable judgment on the E&C practices' validity. Both types of non-favorable evaluations (individual propriety and validity perceptions) would lead to individual perceptions of the E&C program's illegitimacy.

The emerging model for the barriers to E&C programs' internal legitimacy and how it relates to active or passive modes of legitimacy evaluation is exhibited in Figure 7.

**Figure 7.** A three-level model of barriers to E&C programs' internal legitimacy



Additionally, the analysis of the legitimacy judgment contents related to each barrier using Tost's integrative model (2011) sheds light on which barriers are primarily involved in each mode and dimension of legitimacy judgments. This analysis may help practitioners identify where to focus on attaining favorable legitimacy judgments on their role and the practices they manage. These findings are summarized in Table 7.

The following subsections describe the barriers ascribed to each level – *person, structure, internal situational context*- and provide additional evidence through supplemental quotes in Table 8 at the end of the section.

**Table 7.** Barriers that are primarily involved in the distinct E&C programs' legitimacy evaluation modes and content dimensions

Evaluation mode		ACTIVE			PASSIVE
Judgment's content		Instrumental	Relational	Moral	Formation of validity belief (no judgment content)
Barriers to favorable legitimacy evaluations	<b>Persons involved</b>	ECO's poor technical and managerial skills	ECO's lack of interpersonal skills	ECO's lack of integrity and ethical leadership	
		Employee's "E&C is a business stopper" mindset		Employee's moral self	
		Employee's scarce knowledge and understanding of E&C (utility of the practice)	Employee's scarce knowledge and understanding of E&C (fairness and benevolence of the practice)	Employee's scarce knowledge and understanding of E&C (integrity of the practice)	
	<b>E&amp;C program characteristics</b>	E&C practices' empty bureaucracy	E&C practices' sanction-based command-and-control approach		
	<b>Internal-situational context</b>	Other priorities in the organization	Limited face-to-face interactions		Lack or poor top management's support of E&C practices

#### **2.4.1. Barriers sourced at the personal characteristics of the actors involved in the legitimation process (ECOs and employees)**

The internal legitimation process involves two differentiated actors: those who seek legitimacy and act as “legitimacy agents” and those who evaluate the legitimacy object and confer (or not) legitimacy. While the ECOs belong to the first category (they seek and work for legitimacy and are themselves subjects of legitimacy), employees (including senior management) belong to the second one (they judge and grant legitimacy - or not).

ECOs play a critical role in making E&C programs work. As one informant argued:

“On a day-to-day basis, the CEO, the president, and the executives focus on something else. They are [focused] on numbers, they are [focused] on production, production, production, production, purchases, sales (...). Moreover, that is what they are dedicated to. Then, who makes the compliance program work? The Compliance Officer” (Informant #12).

However, a common view among the informants is that their success in making E&C programs work depends to some extent on a wide range of personal qualities and characteristics, not just their technical skills. This view is exemplified by two informants as follows:

“You need to have a series of personal skills. It [E&C function] is not a straightforward function within the company. However, [these skills] help to raise awareness and [transmit] the necessary information for which you are hired. It depends a lot on your personal skills” (Informant #13).

“Apart from being a super competent and rigorous person who tends to do things very well, what is called excellence, and so on, you must have a deft touch or personal skills to make them join the team (...) [Employees] must accept what you are proposing, feel it as their own, and believe in it” (Informant #18).

In this regard, the data analysis revealed three distinct factors related to the personal characteristics of ECOs that may lead to unfavorable employee evaluations: (1) *the lack of interpersonal skills* associated with ECOs’ emotional intelligence and soft skills, (2) *the lack of personal integrity and ethical leadership*, and (3) *poor technical or managerial skills*.

*Poor interpersonal skills* are associated with difficulties in building trusting relationships with their internal audiences and being perceived as an antagonist who does not take them into account (Treviño et al. 2014). For instance, as informant # 12 expressed:

“There are compliance managers who live in their offices (...) they do not go out nor talk to the employees and, at most, they talk to the senior management or the board of directors and therefore the employee perceives them as another member of the board of directors or another member of the senior management, which completely attacks a fundamental value of the compliance function, which is independence. You have to convey to the employee that, yes, you are an employee. You are also very close to the executive committee, you are very close to the board of directors, but that you are independent, and that is not given to you by a document, not by an organizational chart. It is given to you by who you are as a person; it is given to you by how you are and how you are able to present yourself, listen to everybody, and value everybody.”

Two first-order categories, showing distrust toward employees or lacking soft skills to connect with people (such as good communication or empathy), exemplify the scope of this barrier:

“We [ECOs] complain much about the business not understanding us. However, when someone from the business area goes to Compliance to ask for something, many people [ECOs] say, ‘Oops, considering this is coming from the business, this is undoubtedly not a good idea; there is something hidden for sure’ “(Informant #1).

“You have to know how to transmit and be assertive. You also have to understand that the other person is not necessarily on the same spectrum as you and that where you see a risk, the other person does not, so you have to know how to convey that risk so that they understand it. People do not understand ‘You do this just because I say so’” (Informant #17).

As a result, ECOs themselves, through their interactions, may hinder employees' favorable judgments of their role and the practice or initiative they manage. Their limited interpersonal skills might contribute to employees' perceptions that they are not adequately taken into account or treated fairly, leading to a negative relational legitimacy judgment. Furthermore, this factor could also hinder employees' beliefs about the ECO's morality or integrity if having social skills and abilities for the role is morally valued, thus hindering the ECO's personal legitimacy (Suchman, 1995).

Another theme, *ECOs' lacking personal integrity and ethical leadership*, emerges. For instance, one informant clarified the importance of being faithful to oneself and



superiors. Another informant called attention to the importance of leading by example as one of their role's responsibilities.

"I have always made it clear to my directors, my president, or whoever else that I will say no when I think I have to. Even if the operation is for 5 million, and it is Pepito's friend, I will say no, okay?" (Informant #10).

"You have to manage by setting a clear personal example" (Informant #13).

Lacking personal integrity creates another obstacle directly affecting the ECO's personal legitimacy (Suchman, 1995). It directly hinders employees' beliefs about the ECO's morality or integrity and, thus, leads to an unfavorable moral judgment of its role.

Finally, the barrier identified as *poor technical and managerial skills* relates to Ruef and Scott's (1998) technical and managerial legitimacy. It is thus associated with the ECOs' technical knowledge, qualifications, or expertise, on the one hand, and the managerial skills needed to do their job efficiently on the other. Technical skills may be perceived as poor when the ECO lacks technical knowledge and does not understand the business or the industry's particularities and processes. As the informant illustrates:

"You must be technically competent, [is] fundamental. (...) To be perceived, not even to be so, but to be perceived as technically competent". (Informant #5)

"[I]n the case of my [E&C] colleagues in Germany, they [the employees] see them as very far from [business] reality." (Informant #4)

On the other hand, managerial skills may be negatively evaluated when the ECO has a negative attitude (e.g., "no, you cannot do this"), does not perform her/his work well, or faces difficulties in proving the effectiveness of the E&C function:

"In highly regulated sectors, the attitude "you cannot do this either" limits you. You have to let business flow and make sure the Compliance department is not someone who is there putting sticks in people's wheels" (Informant #1).

"To convince people that it [E&C] is a good thing and worth doing, I have done a very awareness-raising job in two ways. First, doing my job well" (Informant #11).

"I think one of the main things is the profile of the person performing the [E&C] function. And the other is the results that you can attribute to the exercise of the function. Because many times, that is not seen. In other words, when things go well, they go well, but why do they go well?" (Informant #18).

When these technical and managerial skills and competencies are lacking, it hinders the ability of ECOs to be perceived as technically and managerially competent

and as having a job worth doing, leading to negative instrumental evaluations (e.g., lack of utility). In addition, if employees morally value technical knowledge and managerial skills as critical to the ECO's role and as a signal of the ECO's professionalism or efficiency, this could also lead to negative moral evaluations.

Informants also raised several difficulties related to the personal characteristics of their internal audiences, that is, employees (understood in the broad sense of the term and thus including managers). In fact, as social actors, employees evaluate E&C programs according to how they perceive their characteristics, structural features, and results (Bitektine, 2011). As the data structure in Figure 6 shows, three significant factors might hinder employees' favorable legitimacy judgments: (1) An *"E&C is a business stopper"* mindset, (2) the *employee's moral self*, and (3) the *employee's scarce knowledge and understanding of the E&C function*.

Informants have raised the issue that some employees perceive E&C practices as an obstacle to business success or something that slows down business processes. That is related to what Treviño and colleagues (2014) previously identified as a class with business imperatives' legitimacy challenge, and it is also associated with the difficulties that E&C programs may create for employees to do their jobs and achieve business goals. The following quotes express how a barrier described here as the *"E&C is a business stopper"* mindset may be associated with unfavorable employee evaluations:

"When they see it [the E&C program] as a barrier, as something that does not add value, that only slows down, there you have disconnected them" (Informant #1).

"At the very moment that you are blocking an operation, blocking business, a business that they (employees) see as fantastic and wonderful, but you see it as a risk for the company, at that moment, it is tough for them to have a perception of, "wow, how good that I have Compliance." Isn't it?" (Informant #10).

Suppose employees perceive E&C programs as an obstacle to doing business and making a profit. In that case, it contributes to their negative evaluation from an instrumental perspective, as these practices are seen as a barrier to fulfilling their internalized business goals and achieving the expected outcomes, contributing to a negative self-interest calculation. In addition, this factor could also hinder positive moral evaluations of E&C practices because it is rooted in the employee's difficulty in

understanding that companies have responsibilities that go beyond making a profit. The employee is, therefore, unable to legitimize E&C programs on moral grounds because he or she cannot see the contribution of these corporate practices to the common good, such as helping companies adequately prevent corruption or becoming a good corporate citizen by complying with laws and regulations. On the contrary, employees might even judge E&C programs as morally wrong because they do not contribute to what a traditional economic paradigm considers to be the ultimate responsibility of business.

According to the analysis of the interviews, the employee's moral self may also create difficulty in making employees consider the appropriateness and desirability of E&C programs. The moral self here refers to the individual's morality and encompasses his or her sense of moral identity and how he or she thinks, feels, and regulates behavior from a moral perspective (Jennings, Mitchell, & Hannah, 2015). We used this second-order theme to capture all the references informants made to the critical challenge of dealing with different moral sensibilities and mindsets among employees. For example, according to informants, some employees associate being ethical with only being legally compliant and do not understand the nature of corporate compliance practices as going beyond the law. This factor may make it difficult for them to accept the application of ethical criteria or to understand why some actions violate E&C policies. When one informant was asked about employees' reactions when the ECO must allude to the organization's ethics to justify a corporate compliance measure or decision, the answer was short and to the point: "Difficult, difficult!" (Informant #15). As another informant illustrates:

"People [employees] often say, "But compliance is the law"; "So if you advise me on the law, you advise me on compliance"; [...] Maybe they are not all compliant in the most ethical part of the compliance concept" (Informant #6)

Part of the problem seems to come from the difficulties in determining the best course of action when people are expected to apply ethical values that not everyone understands in the same way. While ethics may be perceived as fuzzy, following legal requirements seems more straightforward. As one informant expresses, "talking about

ethics is to open a can of worms because there is no single ethics. There are many points of view on assessing whether a behavior is good or not” (Informant #20).

That same informant reflected on the suitability of going beyond what the legal framework states, reflecting on the ultimate purpose of a firm -the business paradigm- and the role of ethics:

“What is the social function of the company? Someone may say that the function of a company is to improve the world. However, someone might also say: “No, the function of a firm is to generate business.” (...) Of course, there has to be a minimum. The rules have to be complied with. Perhaps sometimes too much emphasis is placed on the fact that companies should take on more altruistic roles” (Informant #20).

How ethics is perceived can thus hinder the acceptance of E&C practices, especially if employees (or even the ECO) doubt the appropriateness of integrating the ethical dimension of business into the meaning of the E&C function. Besides, the *moral self* may predispose employees to certain biases that prevent them from seeing where the E&C issues are (E&C risk blindness), hampering risk perceptions and the utility of controls. As informant # 14 said, “if you do not perceive risk, it is difficult to conclude that specific controls are necessary because all they do is add bureaucracy and formality to something that should flow much more naturally.”

Furthermore, it might promote the feeling that the ECO or the E&C practice is questioning their own integrity, giving rise to what Treviño and colleagues (2014) defined as the employees’ “I am already ethical” mentality.

“In the beginning, logically, there was a bit of rejection: ‘Are you going to tell me how to relate to my doctors, who are my friends, with whom I have drinks? Are you going to tell me now how I must deal with them?’” (Informant #6)

“[Managers say,] Are you going to give me lessons on ethics? Do you think that I have been here for 20 years managing this company or this part of the company without ethics?” (Informant #15).

Therefore, employees' positive assessment of the appropriateness and desirability of E&C programs from a moral perspective can be challenging. For example, if they do not believe that the concept of *compliance* includes adherence to the company's ethical values and principles (ISO 37301: 2021) and it goes beyond just complying with legal requirements, or if they do not perceive (see) the E&C risks

associated with a particular issue. Indeed, when employees perceive an entity (in our case, a corporate practice) as inconsistent with their moral values and identity, moral judgments primarily guide their evaluations (Tost, 2011). An "I am already ethical" mentality or a "legalistic approach to ethics" may lead the employee to view the imposition of certain E&C practices (e.g. a code of ethics) as morally wrong. Furthermore, suppose employees perceive E&C practices as challenging or questioning their own moral identity. In that case, this may also contribute to unfavorable relationship content judgments, as they may perceive the E&C function as not affirming their identity and self-esteem and may feel untrusted.

Finally, the *scarce knowledge and understanding* of the E&C function emerges (again) as a critical factor, in this case arising from the characteristics of employees. Informants highlight their problems with employees' limited knowledge or understanding of the E&C function. These difficulties are illustrated in the following quotes:

"I report to the CEO and the Good Governance Committee, and when I first went to the Executive Committee, there were a lot of people who didn't understand [my role, the E&C function], who even asked my boss, the CEO, why we were spending money on this." (Informant #8)

"You realize that people didn't know what you did at first: "This guy who comes in the morning, but I don't really know what he does." (Informant #12)

"If we ask exactly what the compliance function does, I'm not sure that employees would do well in those surveys or questions, right? Because it's not a generally known function. It's a function that has such a broad name. Because "compliance" is open to any kind of interpretation at the end. It seems to me that it is difficult for certain leaders in the organization who may not have direct interaction with compliance to know exactly what the functions of the compliance department are". (Informant#14)

According to the data, employees' *scarce knowledge and understanding of the E&C function* seems to impact legitimacy judgments in the *instrumental dimension* as it hinders favorable evaluations of E&C practices' utility and value. Employees who do not have access to a plausible explanation for why E&C practices (including an ECO) are in place and how they help business activities will not actively fully evaluate and

understand how E&C practices may contribute to their interest and be helpful (*instrumental*). As informant #5 remarkably expressed:

“Since there was no compliance function as such, they don't know about it. There is a lack of knowledge. I mean, they don't know what value it brings because they don't know about it. I think what makes it more difficult is the lack of knowledge of what Compliance is for”.

However, following Tost's (2011) legitimacy judgment's dimensions, limited knowledge, and understanding of the E&C function in firms could also make it difficult for employees to understand that E&C practices do not pretend to be disrespectful to employees' dignity or distrust their honesty and integrity by considering potential criminals (*relational content judgment*), and to understand why they represent the right way to proceed (*moral content judgment*) (see Table 6.). Furthermore, knowledge and understanding are essential because they are necessary for attaining comprehensibility, which is one of the legitimacy dynamics that leads to cognitive legitimacy and, thus, passive support (Suchman, 1995).

#### **2.4.2. Barriers sourced at the specific characteristics of the E&C practices.**

Another set of obstacles identified relates to what we define as the structure level of E&C management: the characteristics of the practices as such. These barriers or difficulties are categorized into two critical themes emerging from data: (1) a *sanction-based command-and-control approach* and (2) *empty bureaucracy*.

On the one hand, the theme of a *sanction-based command-and-control approach* (Tyler, 2005) relates to previous research on E&C programs that points out how externally imposed control can negatively affect employees' perceptions and attitudes. It responds to two clear strategies to attain employee compliance: fear through the imposition of rules (a “command” approach) and control and sanctions (“coercion”) (Stansbury & Barry, 2007; Tyler & Blader, 2005). When E&C programs are overly concerned with detecting and disciplining violations and external regulations (Tyler & Blader, 2005), it sends the message that the company does not trust its employees or

believes they are not morally competent, and that top management needs to be protected from them:

“[Employees] are generally skeptical. Why? Because we [E&C function] are generally perceived as a function that is there to protect the members of the board of directors against the wrongdoings and deviant behaviors of the workers, who are honest people, right? Moreover, it is also a way of keeping them under control, and if they misbehave, they can always blame them, and the management body can wash its hands off them. Right?” (Informant #9)

Besides, a coercive orientation tends to increase the perception that E&C compliance teams are the internal police, favoring seeing them as antagonists or individuals to whom it is better to be cautious:

“The ECO is often seen as the police or the internal affairs officer within the company. And then you find yourself in bizarre situations, such as when you go to the coffee machine. When the ECO arrives, everyone disappears; everyone leaves. Or you go into an elevator or a room where everyone has a very relaxed chat, and suddenly there is silence [...]” (Informant #2).

“Then there are people who, as a component of the [E&C] framework is the disciplinary work, are "scared"; they are afraid. So, they approach the Compliance [function] with fear, right?” (Informant #3).

“Compliance, from the outside, usually looks like the policeman” (Informant #18)

Furthermore, the external regulation strategy that a command-and-control orientation reflects (Tyler & Blader, 2005) favors evaluations of E&C practices and rules as something imposed. For instance, informant #12's perception was that most employees accepted the E&C program well, but what they did not receive was imposing things on them. Besides, when employees' contributions and perspectives are not taken into account, and policies and procedures are imposed, rejection is generated. As echoed by another informant:

“When we have identified a risk, designed a control, and given it to the corresponding department to carry it out, it has been a disaster. At the level of rejection, at the level of systematicity in maintaining that control, of monitoring the control, it has been a disaster. Why? Because they consider it as "they are coming with the order and command." (Informant #2).

We concluded that this barrier is primarily relational, having to do with employees' considerations of not being treated with dignity and respect because it can increase the perception that they are mistrusted (monitoring and surveillance) or that their opinions or contributions are not considered (imposition of rules and procedures). In addition, it may lead to the perception that E&C practices are unfair or not benevolent (for instance, employees perceive that these practices are just a mechanism to find ways to consider them as the ones to blame in case of E&C failures). Thus, it would directly affect the relational judgment dimension of legitimacy. In addition, if employees believe that the moral obligation of the organization is to rely on the trustworthiness and good practices of employees and to promote their well-being and sense of purpose, they may also evaluate this command-and-control approach negatively from a moral perspective (see Table 6).

On the other hand, informant #1 raised attention to the high level of bureaucracy that E&C programs entail when stating that “the whole bureaucratic part does not work” and employees see them “as something very complex and very bureaucratic [...] we get feedback on that loud and clear without asking for it.”

The theme of *empty bureaucracy* concerns the idea that excessive policies and procedures do not necessarily imply integrating E&C practices into business activities and being effective. On the contrary, it can be seen as a mere tick-in-the-box with no actual utility beyond showing that the firm has produced the policies and procedures that external stakeholders demand. An informant echoes this perception when referring to E&C training practices (informant #7): “We are designing training to comply. And we are not designing training to change how things are done”. The E&C practices decoupling phenomenon is also perceived in what informant #12 expressed:

“Many companies generate a super nice code of conduct and a series of documents, protocols, policies, and procedures that look very good; you go into the intranet and find them all perfectly organized [...] However, if you do not make them accessible, make people live, understand, and integrate them into their daily lives, they may look very nice, but they are absolutely useless” (Informant #12).

However, according to some informants, the disconnection of E&C practices from day-to-day business activities might not be intentional but due to a lack of diligent



and competent work. It might result from a lack of a risk-based approach to control or the hurry to implement and complete a program from scratch quickly. These perceptions connect with the role played by the ECO's technical expertise and business understanding, which is one of the barriers already explained. As informant #2 echoes:

“Suppose you try to assemble everything from scratch. In other words, if you try to assemble it from 0 to 100 in two months, in the end, you create an overwhelming amount of paper that you cannot process (...). People end up seeing that, in 6 months, you have flooded them with paper. They report to you with tons of papers; you do not even read them because it is impossible. Then they realize they are wasting their time and turn against you” (Informant #2).

Furthermore, disconnection from day-to-day practices may also come from the complexity and limited employees' understanding of E&C practices derived from technicalities and too many demanding procedures and requirements. As informant #17 describes, sometimes employees believe they do not need these policies and procedures, as they are not always clear on what the policies or procedures are intended to remedy. As he explained, complaints and protests are always against the established procedure when it is not understood. Thus, the effect of empty bureaucracy on legitimacy judgments might be reinforced by employees' *scarce knowledge and understanding of the E&C function*.

*Empty bureaucracy*, therefore, expresses the lack of utility and effectiveness of policies and procedures that are not fully integrated into daily activities, are not adequately risk-based, or do not support people in their daily work. We concluded that this barrier primarily hinders the employee's positive instrumental evaluations of E&C programs because this factor does not facilitate his or her job or the achievement of certain specific goals. However, as mentioned above and identified in Table 6, it may also contribute to morally unfavorable judgments. That could be the case if the employee considers the efficiency and practical utility of an E&C practice as a moral standard. For example, the inefficiency of E&C programs could be seen as not contributing to their intended purpose (e.g., preventing corruption) and not contributing to any positive impact on the organization itself or society. They are seen as just a bunch of paperwork with no positive contribution beyond the company's legal defense.

### **2.4.3. Barriers sourced at the firm's internal situational context.**

The third and final set of difficulties identified relates to factors in the organization's internal situation (internal contingencies), that is, specific circumstances or settings in which E&C programs are established (*internal situational context*).

The following themes represent the internal situational context barriers identified: (1) the existence of *other organizational priorities*, (2) *limited face-to-face interactions* of the E&C function with employees, and (3) *lack of or poor support from top management*. These second-order themes are further explained below.

First, the *other priorities in the organization* theme illustrate that E&C programs may not be a priority and thus may be considered secondary or irrelevant to business activities. In this sense, informants reveal specific factors building on this barrier, such as excessive employee workloads, problematic financial circumstances or other pressures, or remuneration schemes based on meeting business/economic goals. The following quotes are examples of these factors:

"99% of the people who do not value you are overwhelmed in their day-to-day lives; they do not see beyond [...] When the employee is saturated, everything related to GRC, internal control, and quality seems like a game. A game for people who have nothing better to do" (Informant #2)

"It is always difficult for employees to understand an ethical justification for a decision or recommendation because the objective is the year-end closing, the month's sales, the year's bonus, etc.!" (Informant #8).

Furthermore, as most interviews took place during the COVID-19 pandemic, this issue inevitably emerged as a critical situational context that somehow affected the importance given to E&C policies and procedures. As Informant #11 pointed out, "COVID practically paralyzed all functions except production, trade, and health protection." However, "I don't think there has been a decline in reputation in terms of compliance. Or a deterioration of perception. No. There has been a hiatus in which we have all focused on other things."

Nevertheless, unexpected events, such as the COVID-19 pandemic, could increase non-favorable legitimacy judgments on an instrumental basis, mainly if regular employees' or managers' perceptions of these practices were unfavorable before the

crisis began. For example, Informant #16 stated: "I've been in ERTE (Temporary Employment Regulation) for seven months. Compliance no longer made sense." This informant also revealed that the E&C role was the one that was kept the longest in this situation, providing evidence of the poor consideration of this function within that particular organization.

When other priorities are present, it can hinder employees' positive instrumental evaluations. The E&C program is seen as a burden to achieve goals and expected outcomes aligned with other existing priorities. For example, if employees feel overwhelmed with work tasks or pressure to meet business goals. However, as in the case of the COVID-19 pandemic (which could be extrapolated to other critical events or crises), E&C programs could also be perceived as inconsistent with moral considerations. For example, the health-critical issues raised came to the fore, reinforcing a poor moral legitimacy judgment of some E&C policies because compliance with them was not perceived as contributing to the health crisis, or it might even impede access to health supplies such as protective masks or vaccines (e.g., the third-party due diligence requirements in procurement processes).

Second, the theme of *limited face-to-face interactions* relates to the difficulties of attaining a positive propriety evaluation when direct interactions are limited or even impossible. Informants generally recognized the importance of direct contact with employees to have a positive impact and not to be seen as distant and not personally known. This barrier was particularly evident during the COVID-19 pandemic. Although not all informants considered the lack of direct interactions an issue (video conference systems have proved to be the new way to interact), some called attention to this particular factor.

"We also have to keep in mind that we are a huge organization, and we have to reach everyone with the same message. So, at the end of the day, the format has to be online. But that is where [the message] gets lost. Face-to-face is always necessary for people to understand" (Informant #1).

"I believe that in this year, 2020, everything I have mentioned has changed at some point. From having the relationship with business and senior management in person to having it virtually (...). It is okay to have a Zoom meeting. However, the

problem is when you have all the meetings through Zoom. Then, that empathy that you need to be able to transmit [is missed]" (Informant#7).

Limited direct interaction may hinder employees' belief that they are being fully considered (Tost, 2011) and make it difficult for employees to connect personally and facilitate employees' perceptions that the ECO is not an antagonistic who does not care about their concerns and do not take them into account (Treviño, 2014). Furthermore, it could lead to unfavorable moral judgments of E&C practices by employees if they morally value the E&C function's efforts to make employees feel relevant and maintain direct face-to-face interactions.

Finally, *a lack of or poor support from top management* emerged as one of the most repeated interview themes and critical factor informants considered impacting internal audiences' support and how E&C is perceived within the organization. It appeared as a clear indicator of how E&C is lived: "The meters of distance between the president's office and the compliance officer's desk will indicate the tone of how Compliance is lived in the company" (Informant #3).

Top management's genuine support requires top executives' expectations to be aligned with E&C requirements. That is to say, the top management adopts and supports the E&C program for what it represents and not for other purposes (Hoekstra & Kaptein, 2021). However, as one of the interviewees pointed out, this is not always the case. Informant #9 had several experiences where the misalignment between top management expectations and the E&C function was evident, and thus, the lack of adequate tone and attention by top executives:

"Looking back over my previous experiences, I have seen companies where what Compliance was looking for and what top management was looking for were misaligned. In other words, there was no connection" (Informant #19).

Informant #1 pointed out that this lack of support might come from some executives' reactance to change the *status quo*, that is to say, to adapt to a new way of understanding business:

"Convincing the old glories, who have been working in one way all their lives, that this way of working is no longer accepted by society and that is why they have to

work in this other way, is complicated (....). So, the daily struggle with them is, "This is the new model." And, really, this new model is what society demands".

As interviews revealed, the lack of support and alignment between top executives and E&C function may translate into ECOs' feeling or sense that, despite there being external pressure to have this function in place, they are actually irrelevant to the organization (for instance, evidenced by "not having time in boards' agendas"). As informant #12 explained, "At the meetings of the Audit Committee, I was perhaps the 15th item on the agenda".

However, it is essential to note that support not only translates into providing adequate and necessary resources and governance structures but, most importantly, top management respect and adherence to ECOs' decisions and recognizing their seniority.

"I mean to say support in the sense of not only supporting you, helping you, and if you need means giving them to you, but also "do what you have to do, and I will not ask you" (Informant #6).

Furthermore, as informant #6 echoed, top management support entails a higher level of legitimacy of the ECO's role:

"I have always had a lot of support from the general manager of the Spanish subsidiary, that is true, and from everyone, but especially from the general manager. So that also gives you legitimacy in front of the sales force, for example, right?"

According to Tost's (2011) integrative model, this barrier would relate to employees' observations of a lack of authorization or support from relevant others within the organization who exercise authority, thus contributing to unfavorable validity judgments. It, therefore, entails a passive mode evaluation related to a generalized and shared belief that an E&C program (or a practice) is perceived as appropriate.

**Table 8.** Supplementary quotes on barriers to E&C programs' internal legitimacy

First-order categories	Second-order themes and example quotes
	<b>Lack of interpersonal skills [PERSONS: ECOs]</b>
Showing distrust and undervaluing the employee's ethics	<p>"It is important that they (employees) do not feel that you are questioning everything, because that too sometimes we do it wrong." <i>Informant #4</i></p> <p>"Respect: I think that is the number one key issue. Because it is not right to start by saying, 'This person does not know, and I know (about a standard, about a process); Or which is even worse, he/she knows but does not want to. It is a problem of will. A very basic rule of wisdom (...): 1) Do not make it personal. Moreover, 2) do not assume." <i>Informant #15</i></p>
Lack of soft skills to connect with people	<p>"[...] in my experience, the emotional intelligence of the Compliance Officer is a total asset." <i>Informant #6</i></p> <p>"You need not only theoretical knowledge but a series of soft skills that seem to me more fundamental or more essential than the theoretical ones" <i>Informant #13.</i></p>
	<b>Poor technical and managerial competencies [PERSONS: ECOs]</b>
Being the function of "no, you cannot do this."	<p>"And suddenly you come and say: "You cannot do it" or "You cannot do it like that, you have to do it any other way," and they see you as an obstacle." <i>Informant #6</i></p> <p>"Sometimes [the E&amp;C function] is perceived as 'you always say no, that this is wrong.' Always, the function of 'no'" <i>Informant #13</i></p>
Poor technical savvy and job performance	<p>"The feeling was that employees had a very high perception of the Compliance function. (...) [A]t the time of leaving, I received many communications from employees of the company who told me that for them, it was a real drama that I was no longer in the function because they had absolute confidence in how I did things. Moreover, they transmitted that the Compliance department was well managed, and they felt very, very, very assured, and very, very safe knowing that I was in charge of that department." <i>Informant #12</i></p>
ECO's poor understanding of the business	<p>"Experience has shown me that the knowledge of the organization and, therefore, the adaptability of the [E&amp;C] function to the organization is a greater value than the technical knowledge (...) I believe that you must have a good understanding of the organization's processes, because only if you understand them well can you help to ensure that certain standards are met. [...] I think it is very important for the Compliance area to be directly involved in understanding the underlying issues" <i>Informant # 14.</i></p> <p>"I have always thought that training is very important, but knowledge of the business is almost as necessary because if not, you cannot understand the implications of applying that law or not applying it or applying it 60%." <i>Informant #18</i></p>
	<b>Lack of personal integrity and ethical leadership [PERSONS: ECOs]</b>
ECO's Honesty & Integrity	<p>"I also learned that independence is important, especially the independence of judgment. More than who you depend on, it is an innate question of criteria. If you have it, you will always have it, and if you have to change organizations, you will change, but having your own [independent] criteria in the function is very important." <i>Informant #5</i></p> <p>"[You need to] transmit, repeat, exemplify, and be an example" <i>Informant #9.</i></p>

First-order categories	Second-order themes and example quotes
E&C hampers business activities	<p><b>“E&amp;C is a business stopper” mindset [PERSONS: EMPLOYEES]</b></p> <p>“Because the one who does not believe [in E&amp;C], who only sees the income and only sees Compliance as a stopper, and sees it as an imposition and such, it is difficult to make her/him change her/his mind.” <i>Informant #10</i></p> <p>“They do not feel comfortable because it [E&amp;C] is incompatible with obtaining results and achieving objectives. So, of course, there is no comfort there.” <i>Informant #16</i></p>
E&C does not have any value added to its work	<p>“Well, they think we are an expense, a function, a bit of a fly in the ointment. That we bring no great value, so they have an attitude of indifference.” <i>Informant #4</i></p> <p>“[Employees] have to answer questionnaires, go through interviews, and we ask them for information about how their department works, procedures, and so on. In the end [from the employees' point of view], it is like saying: Well, this is an extra job that I have to do that is not going to bring me anything, that I am not going to get anything, that I am not going to get anything, and it just makes it harder to achieve my goals.” <i>Informant #5</i></p>
Employees circumscribe being ethical with legal compliance	<p><b>Employees’ moral self [PERSONS: EMPLOYEES]</b></p> <p>Suddenly, to put them in this vaporous world of ethics. It is not easy; it is not easy”. <i>Informant #6</i></p> <p>“So, there are situations where you do not allege pure regulations. Moreover, it is in these cases where legal advice can conflict with the Compliance function.” <i>Informant #9</i></p>
“I am already ethical” mentality or “Who are you to tell me what is ethical.”	<p>“And maybe what they see as a more complex issue is when you talk to them about ethics and values. These are vaporous concepts, which I think everyone has identified throughout their lives. Someone in their family environment will have taught them what is ethical and what is not. Moreover, they will have their own concept of what is ethical and what is not. And now, I dismantle that or try to re-educate them.” <i>Informant #6</i></p> <p>“[The manager says] Hey no, people tell me about things. I am a person of integrity, and besides, I encourage people to be courageous and tell me.” <i>Informant #15</i></p>
Some employees cannot see the ethical implications of an issue (ethical blindness, different moral sensibilities)	<p>Some people understand it more; they are more aware of it [an E&amp;C risk] for whatever reason. However, other people are not, people who are like a kamikaze and do not give a damn, you know? <i>Informant #10</i></p> <p>“And then the General Manager's words were that I was an exaggerator, that it is okay to have three drinks and get behind the wheel.” <i>Informant #13</i></p>

First-order categories	Second-order themes and example quotes
Some employees ignore what the E&C function is for	<p><b>Scarce knowledge and understandability [PERSONS: EMPLOYEES]</b></p> <p>Initially, it was challenging to teach them that the compliance function is not parallel to work (...). Something that goes on one side, and employees go on the other (...). To explain to them that there are not two paths, only one. Moreover, what I do can help them in what they do. <i>Informant #2</i></p> <p>The problem is that when there are rotations. When there are changes of managers, you have to start from scratch because many times they come from environments that do not even know what this is, and [they think] I am just another guy from the legal department, and they do not want me here. <i>Informant #9</i></p> <p>My challenge is often to get people to understand [the E&amp;C function], take ownership of the procedures, and understand the controls so they can implement them. <i>Informant #17</i></p>
E&C is seen as something imposed and not actual business adapted	<p><b>Sanction-based and command-and-control approach to behavioral control [E&amp;C PRACTICES]</b></p> <p>So, a tremendous rejection was generated without having done the work of talking to people and without having done the work of adapting what had been created to the reality of the company. Nobody wanted to know anything about Compliance, which came to cause problems. <i>Informant #11</i></p> <p>What cannot be is that you publish a document on the intranet and then, as in the cities of 1930, "it is announced, by order of the mayor, that as of tomorrow." When you impose things on people, their first reaction is "no" (they say no out of embarrassment). <i>Informant #12</i></p>
E&C is seen as the internal police, oriented to the firm/top management's protection: prohibitions, discipline, and inspection.	<p>I can tell you the exact words of my Director in Portugal: When I arrived, she was very reluctant, very reluctant towards [the E&amp;C unit/function]. Her exact words were, "When you arrived, I thought I was being brought to the police, but as time passed, I realized that you bring value." <i>Informant #1</i></p> <p>I think that, in general, they respect it a lot. That is to say, in general, when I am involved, or when, in some authorization process, in some issue, Compliance intervenes for whatever reason, people have a certain respect and also a certain caution about what they say, about the information they share. <i>Informant #4</i></p> <p>I do perceive rejection at times. Rejection in the sense of "Jeez, the Compliance guy asked me to talk for 30 minutes", and you kind of generate a certain fear. <i>Informant #6</i></p>
A set of " tick-the-box" practices that are not used or do not add value.	<p><b>Empty bureaucracy [E&amp;C PRACTICES]</b></p> <p>I think, especially in large groups, there are times when we lose focus a little bit. Moreover, with the obsession with reporting and having proof that you have trained people, done 30,000 trainings, reviewed everything, and so on, you do not really focus on training on something that can be useful to them. [...] What they do not like and accept is that Compliance does not establish mechanisms to avoid the most important risks and that it ends up overburdening them with bureaucracy, with paperwork for processes or issues where the compliance risk is minimal. <i>Informant #4</i></p>
Long, tedious, and inflexible processes that harm agility and business opportunities	<p>E&amp;C programs may start from a long and tedious policy that is challenging to understand. It is a bureaucratic process with a high level of approvals and controls. It is not agile, and what the employee wants is agility. <i>Informant #1</i></p> <p>What works in the end is that you are not giving people technical stuff. That is, if someone reads the guidelines and does not understand them, too bad. <i>Informant #18</i></p>



First-order categories	Second-order themes and example quotes
Too many complex and demanding requirements and procedures	<p>So, we have tools, as I said, for due diligence on third parties, agents, consultants, and so on. We have another tool to look at donations, sponsorships, and memberships in industry associations or associations of any kind. In general, the amount of paperwork and the required information are, in many cases, excessive. <i>Informant #4</i></p> <p>If you go too far in demanding things, you also lose respect. Because then they question you, and it turns out that you give in, right? <i>Informant #10</i></p>
	<p><b>Other priorities in the organization [FIRM'S SITUATIONAL CONTEXT]</b></p>
Workload	<p>[Employees say] "I do not have time to do it." "I have other things to do." <i>Informant #15</i></p> <p>The handicap I see is that my role is ultimately seen as just another potential workload. Overworked people do not want to take on more work. <i>Informant #16</i></p>
The firm's economic pressures and other hurries	<p>In organizations where things move very fast, team planning is critical to avoiding compliance breakdowns because the rush and the lack of planning make you forget to do certain things." <i>Informant #3.</i></p> <p>In many moments, Compliance will not be a priority because, in a company, the ultimate goal is to make money. If there are difficulties in paying the payroll, all of this is useless because we will be closed down. <i>Informant #9</i></p>
Remuneration schemes based on business goals	<p>The fundamental element is the issue of remuneration, right? I believe that, in the end, it is the element that really works. The employee might not sell a product because it is bad for the customer. Logically. However, stopping selling a product to customers does not allow them to reach their bonus. That is the element that makes them confront you. <i>Informant #7</i></p> <p>Achieving goals. Because achieving goals is a priority for everything. Why is that? Because our pay is based on incentives, which come with goals. <i>Informant #16</i></p>
Unexpected events such as COVID-19 have set new priorities.	<p>In these situations [COVID], let us say there is a tendency to prioritize the things perceived in the companies as the most urgent and necessary. <i>Informant #5</i></p> <p>In this pandemic context, the essentials are sought. The indispensable. Something agile. Moreover, compliance can lose its presence, can't it? [...] you run the risk of inevitably dropping down the pecking order. <i>Informant #9</i></p>
	<p><b>Lack of or limited face-to-face interactions [FIRM'S SITUATIONAL CONTEXT]</b></p>
There is a need to have direct contact to make the E&C function visible, to have a positive impact	<p>Above all, we make ourselves visible by descending to their level. In other words, I am not a gentleman who sends you an e-mail saying, "Let us do it, let us do it." I mean, I am somebody who is telling you I am sitting next to you. I am telling you we have to do this, and I am going to sit down with you to do it. <i>Informant #2</i></p> <p>For me, you have to be close to the people. The most important thing is to be close. <i>Informant #3.</i></p>
There are supervised circumstances such as Covid-19 that restrict face-to-face contact with people.	<p>(...) So, this is one of the most... one of the biggest challenges for me today. How do I go from an advisory function, close, in which you try to take the people to your field, to the lack of physical contact to the lack of a continuous relationship? <i>Informant #7</i></p> <p>I think that our physical presence [is important], and losing it also makes you lose some strength. <i>Informant #13.</i></p>

First-order categories	Second-order themes and example quotes
	<b>Lack or poor support from the top [FIRM'S SITUATIONAL CONTEXT]</b>
Inadequate tone and attention by the top executives	<p>There is something that makes it easier and, if it is not there, makes it more difficult: the tone at the top. That is, management support. A compliance system in an environment where the top management is not aligned with, it does not want it, or wants it to be, but just if it makes as little noise as possible, is a real horror. <i>Informant #2</i></p> <p>Having a responsibility, as I believe compliance, in an organization where you are there because you have to be, but nobody misses you... Well, that is complicated. <i>Informant #18.</i></p>
Top management may not grant <i>auctoritas and potestas</i> to the ECO	<p>It is essential to give Compliance much seniority. It is also necessary to provide legitimacy from an authoritative point of view, right? (Informant #9)</p> <p>It has been very complicated for me because, at the beginning, it was as if I did not exist; I was a person who was there, performing a function that nobody knew about. <i>Informant #16.</i></p>

So far, we have described the findings resulting from the analysis of the interviews. In the following section, we discuss their contributions and practical implications.

## 2.5. Discussion: A three-level model of barriers to the internal legitimacy of corporate E&C programs

The purpose of this study was to unravel, through the lens of ECOs' experiences, what factors might hinder employees' positive evaluations of the appropriateness or desirability of corporate E&C programs. The ultimate goal was getting a more nuanced understanding of the internal (il)legitimacy phenomenon of E&C programs using the lens of legitimacy-as-a-judgment.

The findings suggest that the internal legitimacy of E&C programs should not be taken for granted by the persons involved in these organizational activities, even in cases where these practices are generally perceived as institutionalized. Indeed, as Hybels (1995, p. 252) points out, "taken-for-grantedness itself is not always taken for granted." The level of legitimacy of E&C practices (including the ECO) could be discussed and debated, especially considering how differently one person may make a judgment compared to another, thus highlighting the critical role played by how legitimacy is

judged at the micro level. It would be enough for one or a small group of employees to perceive an E&C practice (e.g., a preventive control procedure or an internal rule of conduct) as inappropriate or undesirable to engage in noncompliance and thus lead to corporate malpractice and unethical or illegal behavior. Indeed, Haack and colleagues (2021) pointed out that the persistence and stability of valid legitimacy objects may be based on a collective misperception of current support, in the sense that consensus for a valid legitimacy object is only presumed but not real. This collective misperception could be the problem with E&C programs and the various elements (practices) that make them up. Even if an E&C program could be perceived as internally institutionalized, it might hide a low consensus, for example, in specific departments or areas of the organization. When these "non-believers" (Treviño et al., 2014) openly communicate their disagreement, they may encourage other evaluators to update their beliefs about appropriateness and challenge the generalized perception of the validity of the E&C program. This is why it is essential to pay attention to individual judgments and why E&C practitioners should focus on them, especially those in leadership positions.

Therefore, this work contributes to previous studies on the internal E&C programs' legitimacy, shedding light on why internal support for ECOs and the E&C practices they manage is not without challenges (Treviño et al. 2014). In doing so, it focuses on the extent to which specific barriers may exist to employee favorable judgments of the legitimacy of the E&C program. Identifying these barriers helps find ways to improve the effectiveness of these corporate practices. The phenomenon of internal legitimacy thus emerges as a powerful framework for making sense of the difficulties the E&C function may face to attain internal support and employees' buy-in, as illustrated in the findings section. Building on the findings and using the lens of Tost's (2011) integrative model of legitimacy judgments, we propose a model to explain what factors might impede or hinder favorable employees' evaluations of the legitimacy of E&C programs and how they may relate to unfavorable propriety and validity assessments. Unfavorable legitimacy evaluations by internal audiences (micro-level) might lead, through consensus (Haack et al., 2021), to a generalized perception of the illegitimacy of these practices.

**Figure 8.** The E&C programs' illegitimacy process

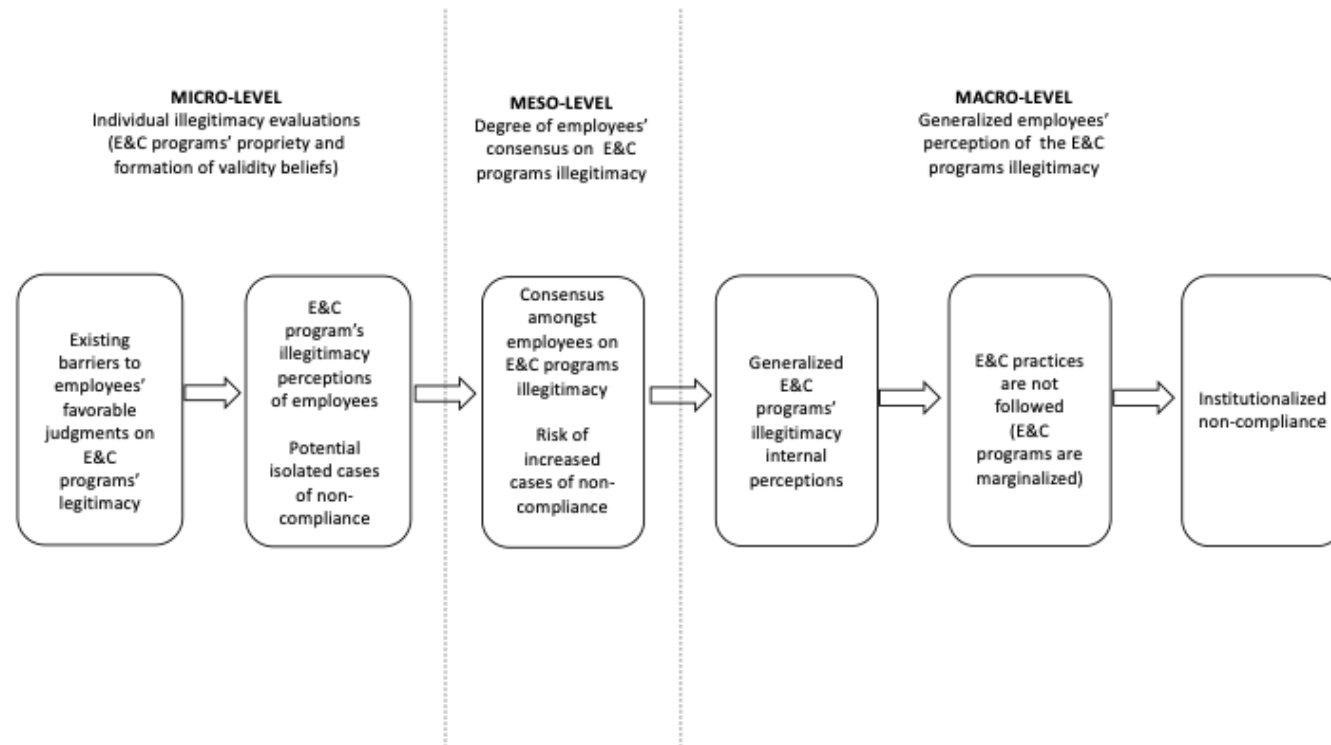


Figure 8 above sheds light on the relevance of this model (situated at the individual legitimacy judgments level) within the framework of the multilevel theory of legitimacy (Haak et al. 2021), illustrating the E&C programs' illegitimacy process and outcome (institutionalized non-compliance).

The overall contribution of this empirical study is threefold: (1) it advances the literature on E&C programs by using the lens of legitimacy-as-judgment theories, (2) it sheds light on the human component of E&C program effectiveness, providing insights into the need for a more person-centered management approach, (3) it contributes to improving professional practice. These contributions are further detailed below.

First, we introduce the concept of barriers to the internal legitimacy of E&C programs as a new construct not previously used in the E&C management literature to explain a more nuanced explanation of their potential lack of robustness and effectiveness. We define these barriers as any factor that may prevent (or at least make more difficult) employees from making favorable legitimacy evaluations about E&C practices (including the role of the ECO) from an instrumental, relational, or moral perspective. By exploring the professional experiences of ECOs, we focused only on the barriers attributable to the organization itself. We found that these barriers are sourced at three levels: (1) the person level, which includes both personal characteristics of ECOs as legitimacy agents (and also legitimacy seekers and subjects) and employees as legitimacy evaluators; (2) the structure level, which refers to the E&C practices as such, and (3) the internal situational context level. Then, we propose a theoretical model to explain how they may relate to employees' unfavorable evaluations of the propriety and validity of corporate E&C programs and, thus, to their internal illegitimacy.

Second, it sheds light on the human component of E&C programs' effectiveness, particularly considering the critical role that moral and relational legitimacy judgments may play, especially in organizations seeking to foster employee commitment and identity with the organization. Informants' insights suggest that a traditional orientation of formal E&C control practices toward a sanctions-based and command-and-control

approach and excessive bureaucracy may inhibit employees' favorable relational and moral judgment. That is important, particularly considering a business paradigm based on, amongst others, the idea that human beings are complex in nature and driven beyond self-interest calculations. Therefore, improving employees' evaluations of these corporate practices may require transforming the traditional way of managing E&C into a more person-centered approach in which employees are considered in their whole dimension as persons and are treated with respect and dignity, encouraged and helped to reach their full potential, and enabled to fully visualize and understand the contributions of E&C practices to the common good, thereby increasing their intrinsic motivation to comply.

Finally, it improves E&C professional practice by deepening insights into the micro-foundations of the institutionalization of ethics within firms. It uses the lens of legitimacy and previous behavioral and managerial studies to identify the theoretical implications of each proposed barrier and their practical implications. Companies, particularly ECOs, should consider them to prevent unfavorable employee evaluations, strengthen E&C management, and better contribute to the effectiveness of E&C practices.

It is important to note that the levels of barriers we propose are, in most cases, interrelated. For example, ECOs' interpersonal, technical, or ethical skills may influence the design and orientation of E&C programs' behavioral control practices, determining a more or less bureaucratic or sanction-based command-and-control approach and thus creating structural barriers that may hinder employees' legitimacy evaluations. Another example is companies that focus primarily on maximizing their economic profit and achieving business goals rather than creating value for other critical stakeholders (for example, treating customers fairly or protecting the procurement process from corrupt practices). This circumstance contributes to the prevalence of organizational priorities that prevent employees from positively evaluating E&C practices from an instrumental or moral perspective. This factor, in turn, can significantly influence employees' perception of E&C policies and controls as a "business stopper."

In the following subsections, we discuss each of these levels of barriers, interpreting the findings by comparing and contrasting them with previous studies and highlighting their more specific theoretical and practical implications.

### **2.5.1. The person-level barriers to internal E&C programs' legitimacy**

This set of barriers concerns the persons involved in the E&C programs' internal legitimation process, and thus, it draws attention to the human component of the effectiveness of E&C programs. According to our findings, the instrumental, relational, and moral components of individual legitimacy evaluations would largely depend on the personal characteristics of the employees as legitimacy evaluators (Tost, 2011; Biterktine & Haack, 2015). However, they also depend on the ECOs as legitimacy agents or "legitimacy entrepreneurs," also defined in this way because they make and lead efforts to introduce institutional changes in organizations (Greenwood & Suddaby, 2006; Tina Dacin, Goodstein, & Richard Scott, 2002; Tost, 2011). Moreover, ECOs may also be considered subjects and seekers of legitimacy (Treviño et al., 2014).

The identification of these person-level barriers leads to three critical theoretical insights: (1) the role of ECOs as potential barriers to the internal legitimacy of E&C programs, (2) the critical role of employees' moral selves and the close interrelationship between employees' business mindset and the organization's business narrative, and (3) the significance of employees' knowledge and understanding of the E&C function in achieving cognitive legitimacy.

First, building on previous literature on the legitimacy of E&C practices, we found that ECOs may contribute to employees' legitimation processes through specific legitimacy work tactics (Treviño et al., 2014). However, the result of our study points out that they may also become a barrier themselves. The personal characteristics of ECOs and interactions with their internal audiences emerge as a critical influence on evaluating the propriety of E&C practices. According to our findings, ECOs may negatively influence employees' legitimacy judgments of E&C practices (including their role) through three critical shortcomings: *lack of interpersonal competencies* (hindering

relational legitimacy judgments), *poor technical and managerial skills* (hindering instrumental legitimacy judgments), and *lack of ethical leadership and integrity* (hindering moral legitimacy judgments). It is important to note that these shortcomings relate to personal competencies and individual factors - for example, technical or business knowledge and individual personality and leadership - that previous research has identified as relevant to the appropriate performance of ECOs (Adobor, 2006). Furthermore, previous studies have highlighted the critical role of managerial legitimacy and how it can be judged daily by those being managed (Taylor, Thorpe, & Down, 2002), which can be extrapolated to the relationship between ECOs and employees. In addition, interpersonal competence has previously been identified as one of the critical individual competencies required for managers engaged in corporate sustainable management practices (Wesselink, Blok, van Leur, Lans, & Dentoni, 2015). However, all these shortcomings, to some extent, affect the personal legitimacy of the ECO, which, according to Suchman (1995), is one of the forms of moral legitimacy. Moreover, these barriers seem to be related to the abstract human characteristics of competence (i.e., skillful), sociability (i.e., warm and gregarious), and morality (i.e., honest, sincere), which in turn are related to two different conceptualizations of goodness: intellectual goodness (competence) or social goodness represented by sociability or morality (Leach, Ellemers, & Barreto, 2007). Therefore, if these human traits (or types of goodness) are missing and employees morally value them, moral legitimacy judgments about the ECO (as a critical E&C corporate practice) could be hindered.

Second, differences in how one person makes a judgment compared to another are based on, among other things, their own ethical beliefs and values (their moral selves) (Jennings et al., 2015). Indeed, informants reported on employees' different sensitivities and how this may contribute to negative perceptions of E&C programs, especially from a moral evaluation perspective. The findings suggest that employees' moral identity and awareness appear critical to their moral endorsement of E&C practices. For example, employees' moral awareness, defined as the recognition of the moral component of an action or decision (Butterfield, Trevin, & Weaver, 2000), helps to identify which actions or decisions (in a business environment in our case) involve



some kind of ethical risk, and to understand why E&C control policies and procedures that prevent those risks make sense, and thus to evaluate them as morally correct. On the other hand, the business mindset of employees is also critical. For example, suppose employees believe that E&C practices work against achieving business objectives. In that case, this creates a barrier to their buy-in and support, as these practices are seen as an impediment to doing their jobs and thus lead to unfavorable instrumental evaluations. This perception can be particularly reinforced when companies focus solely on meeting business goals and making profits. As Treviño et al. (2014) suggested, employees will make sense of E&C practices if they believe that ethics and legal compliance are integral to business success. Otherwise, E&C practices will be perceived as an obstacle to doing business, which will primarily harm instrumental but also moral evaluations if employees believe that the only responsibility of business is to contribute to increasing profits for shareholders and that the only boundaries of corporate behavior are laws and regulatory requirements (Friedman, 1970). Only when companies recognize their moral dimension and a purpose beyond profit (Freeman, 2017) can employees begin to understand how E&C programs contribute to achieving corporate goals. However, this requires business leaders to commit to a business model that views ethics and responsibility as essential to business success.

Finally, our findings shed light on how employees' limited knowledge and understanding of the E&C function (and its practices) may influence their perceptions of its appropriateness and desirability. It emerges as a significant barrier because it may hinder employees' positive evaluations of E&C practices from an instrumental, relational, and moral perspective at the same time. It may impede a proper understanding of how these practices can become helpful and contribute to their interests, respect their role as trusted and reliable members of the organization and contributors to business success, and be morally correct, for example, by contributing to the common good (Melé & Armengou, 2016). Besides, employees (including senior management) properly comprehending the role and content of E&C practices is critical because it contributes to cognitive legitimacy (no one questions the E&C program or practice) beyond a mere taken-for-granted (Suchman, 1995).

*Implications for professional practice:*

The managerial and practical implications of *person-level barriers* are as follows: (1) E&C training and education programs, both for ECOs (professional or postgraduate programs) and employees (in-house training), require going beyond purely technical and managerial knowledge, and (2) companies need to be careful in adequately walking their E&C talk to provide a social context in which E&C make sense to employees.

First, firms should be aware that acquiring technical knowledge is not enough. Education and training programs for ECOs should go beyond acquiring technical knowledge and managerial skills (which primarily favor employees' positive perceptions of utility and external value added). They should also focus on developing ethical leadership, which should include mastering the understanding of normative ethics, so ECOs' decision-making is aligned with the application of sound ethical reasoning, and they lead by example. In addition, achieving relational legitimacy requires that specific soft skills be put into practice so that ECOs can build trusting relationships with employees (relational legitimacy), which in turn may also foster employees' perceptions of the rightness of their role (moral legitimacy) – as relational and moral legitimacy are both connected with some form of benevolence (Tost, 2011)-. Moreover, employees' moral selves emerge as a critical barrier that can make it difficult for employees to understand the moral dimension of business activities. In that sense, moral awareness should be cultivated through training to ensure that employees can see (not be morally blind) and adequately comprehend business activities' ethical risks beyond pure compliance with legal requirements.

Furthermore, fostering employees' knowledge and understanding of E&C programs appears critical for favorable evaluations of these practices' legitimacy. Indeed, firms must provide plausible explanations of these practices that align with larger belief systems and what is done in reality to enhance employees' knowledge and understanding of E&C programs. Indeed, recent research (Remišová et al., 2019) points to the ethics-focused trainings as critical to boost the trust of managers toward the E&C program and a precursor for an effectively functioning of these formal corporate practices. Therefore, in-house training should focus not only on providing the technical

knowledge necessary to comply with E&C requirements and processes and to improve ethical awareness but also on helping employees understand the role and contributions of the E&C program. For example, it should show how E&C helps improve organizational decision-making and ethical behavior and, most importantly, explain why having an E&C program is critical to business success so that employees understand its purpose and value. Providing a "why" that goes beyond mere instrumental, legalistic, and corporate defense approaches to E&C programs would be a recommended strategy to help employees make sense of these corporate practices and the social context in which these practices are applied, and to promote positive evaluations from instrumental, relational, and moral perspectives. The current "sustainability revolution" and ESG criteria regulation present an opportunity for companies to help employees understand how E&C programs contribute to a more ethical and sustainable world and, ultimately, to the common good. Moreover, most importantly, it allows companies to walk their E&C talk.

Second, ECOs should be aware that cultivating moral awareness, promoting ethical behavior, and attempting to provide plausible explanations for E&C programs beyond mere corporate defense strategies where the firm does not walk its moral walk may do more harm than good. When companies are not walking their moral talk, employees may perceive a lack of coherence and hypocrisy on the part of the firm (Lauriano, Reinecke, & Etter, 2022), contributing to a sense of decoupling of E&C practices from business practices that hinder favorable moral judgment of the organization as a whole. In addition, ECOs may face the challenge of combating the traditional business mindset of some employees, which contributes to viewing E&C practices as a business obstacle (Treviño et al., 2014). This barrier will be difficult to overcome until companies truly shift (and exemplify) a new way of understanding business. Only then can E&C programs (if they are genuinely intended to create an ethical organizational environment) make complete sense to employees. Firms need to walk their E&C talk to provide a social context in which explanations of the meaning and purpose of E&C programs make sense to employees. In other words, it requires a

business narrative that integrates ethics and legal compliance as inseparable from business success.

### **2.5.2. The structure-level barriers to internal E&C program's legitimacy**

The informants' responses revealed some characteristics of E&C practices that may also become critical barriers to employees' positive legitimacy evaluations. Here, we first discuss why these characteristics might hinder internal legitimacy, using the lens of previous studies, and then consider some managerial and practical implications.

We found five critical theoretical insights that merit further discussion: (1) command-and-control approaches to E&C programs may affect the interpersonal dynamics between the E&C function (and also the organization that implements it) and employees; (2) too much focus on coercive control may be incongruent with employees' prevailing value systems and also result in some kind of reactance that inhibits positive moral evaluations; (3) failing to consider employees' perspectives and sensitivities when attempting to instill moral values can also result in the form of resistance (a reactance to indoctrination); (4) excessive bureaucracy can do more harm than good by increasing the risk that E&C programs will become decoupled from critical business activities, thereby increasing employees' perceptions of their lack of effectiveness or usefulness; and (5) bureaucracy can make work more difficult, demotivate employees, and even lead to employee hostility or resentment.

First, how top management or ECOs themselves understand the implementation of behavioral control can influence the orientation of E&C programs toward more external regulation and command-and-control strategies or toward implementing facilitative control mechanisms and instilling self-regulation (Stansbury & Barry, 2007; Tyler & Blader, 2005; Weaver et al., 1999b). Command-and-control approaches focus on controlling people's behavior by using threats of punishment or sanctions for misbehavior. It is based on the traditional economic paradigm, which assumes that people are rational actors primarily concerned with satisfying their self-interest (Tyler, 2005). However, as Tyler and Blader (2005) point out, monitoring and sanction-based

systems have the potential to send a message of distrust to employees, contribute to the perception that the organization is their adversary, and affect the interpersonal dynamics between those exercising control (the ECOs in our case) and those being monitored (employees). Suppose employees feel that the organization does not trust them. In that case, this can lead to an assessment that they are not personally valued and that E&C practices do not promote their self-esteem and status within the organization (employees may only see that the organization has considered the need for a kind of "internal police" to control their work), which can hinder a positive assessment of E&C programs from a relational perspective (Tost, 2011). In addition, a command-and-control approach also refers to the imposition of rules, which can also lead to rejection by those who have to follow them. Indeed, previous research highlights the emotional disconnection or rejection that occurs when employees are not involved in the elaboration of the content of the code of ethics (Adelstein & Clegg, 2016) or the implementation of the E&C program (Busse & Doganer, 2018).

Second, an overly coercive and command-and-control approach to behavioral control can also lead to negative moral evaluations if employees do not consider an E&C program that focuses too much on sanctions and vigilance to be in line with their prevailing value systems and moral beliefs (Treviño et al., 2014). It could be judged unfavorably from the perspective of justice or contribution to the common good if this approach to behavioral control is perceived as not fully respecting employees' dignity or not contributing to organizational justice (e.g., a lack of internal investigations' "due processes"). In addition, coercive controls are always expected to elicit substantial motivation to maintain the freedom to engage in the controlled behaviors, also known as reactance (Stansbury & Barry, 2007).

Third, it is essential to consider that even E&C programs that adopt an enabling approach to behavioral control and instill self-regulation may only impose the values and rules of conduct promulgated by their architects (Stansbury & Barry, 2007) and fail to take into account employees' perspectives and sensitivities. Therefore, E&C policies, instead of being instruments of enlightenment and self-regulation, can be used as instruments of domination and power and generate various forms of resistance among

employees (Helin et al., 2011). That is particularly relevant when employees perceive these values and rules as infringing on their freedom of thought, leading to the phenomenon known as reactance to indoctrination (Stansbury & Barry, 2007), which can also negatively affect the moral evaluation of these practices.

Fourth, the barrier described as *empty bureaucracy* concerns the risk that companies establish formal E&C programs primarily as mechanisms to maintain favorable external legitimacy perceptions, such as from regulators or the industry. As informants suggested, E&C policies and procedures may be created out of a concern to check a box rather than to align those procedures with actual business risks. In addition, too many demanding policies and procedures, even if created with the best intention, can make it difficult for employees to see and understand how risk is actually being mitigated. In that case, employees may focus solely on the workload they generate. This barrier is related to what Maclean and Behnam (2010) describe as the creation of decoupled compliance structures, which can manifest as public claims of programs that do not exist in practice or programs that exist in practice but are disconnected from critical organizational functions. E&C practices can thus become window dressing, decoupled from the organization's day-to-day business activities, and focused on a tick-box approach rather than actually contributing to behavioral improvement or change. Previous research has drawn attention to the negative impact of decoupling E&C practices on internal perceptions of legitimacy, as it sends the message that E&C practices are merely symbolic, intended only to create a façade of legitimacy (MacLean & Behnam, 2010; MacLean et al., 2015), and thus have no real utility in mitigating E&C risk. Thus, our study sheds light on how bureaucracy may critically affect instrumental evaluations of E&C programs by hindering perceptions of utility. However, it may also hinder favorable moral evaluations if employees value the utility and efficacy of corporate practices (especially if, as Tost (2011) points out, employees are organizationally oriented). If employees perceive E&C programs as pure symbolic paperwork, they will harder perceive any contribution of these practice to any form of common good (for instance, not contributing to prevent corruption no enabling employees having a sense of doing meaningful work).

Finally, the difficulties raised by ECOs regarding bureaucracy highlight the negative consequences that excessive rules, policies, and procedures can have on organizations. Bureaucracy is undoubtedly necessary for organizations to function properly, and it helps to establish internal rules and make clear to the organization's members what the right thing to do is, thereby facilitating work. However, it can also make work more difficult, stifle creativity, foster dissatisfaction, and demotivate employees (Adler & Borys, 1996). In addition, an *empty bureaucracy* can lead to hostility or even anger among employees. For example, when E&C practices are not specifically tailored to the organization. Also, employees may not understand or visualize their impact on improving company processes to be more efficient and improve business results (Busse & Doganer, 2018). Another example would be in the case of multinational settings when the E&C program does not consider the organization's cultural context, as certain practices that may be effective in one context may not be effective in another (Weaver, 2001).

*Implications for professional practice:*

The managerial and practical implications of these barriers are twofold: (1) E&C programs should adopt an appropriate balance between command and control and instilling self-regulation through values-based approaches; (2) Companies should rethink bureaucracy to improve the effectiveness of management and control practices.

First, top management and ECOs should be sensitive to the need for their companies to adopt an appropriate balance between instilling values-based self-regulation and sanction-based command-and-control approaches to behavioral control so that employees comply because they "want to" and not just because they "have to" (Hofeditz et al., 2017), thereby contributing to voluntary compliance. Indeed, previous literature points to the positive impact of a values-based approach on employees' sense of commitment and compliance with E&C practices (Treviño et al., 1999; Weaver & Treviño, 1999). On the other hand, however, they should also pay attention to the values on which the company focuses and how they are selected and communicated so that employees participate in the process and feel that they have a stake in the design and implementation of the code of ethics. Employees need to feel that they are actually

being considered, which, in turn, will increase perceptions of relational legitimacy. They should also not perceive the values statement as an intrusion into their private lives, reducing this way the risk of reactance. Reactance to indoctrination is a phenomenon that should be considered when designing moral codes (Stansbury & Barry, 2007). All the above can be applied to any policy or procedure that requires the implementation of new rules of conduct that affect work practices.

Second, companies should be sensitive to the harm caused by excessive bureaucratic processes that may distract employees from considering the risks these practices aim to prevent. Too much bureaucracy can lead employees to focus only on how the E&C program prevents them from achieving business goals and doing their jobs in the short term rather than helping them understand how these policies help prevent the company (and themselves) from engaging in misconduct and adequately protect key stakeholders from harm caused by the company's activities. Besides, as Bartlett and Preston (2000) point out, it is hard to argue that bureaucracy is the means by which a company can get the most out of its employees. It can be seen as a tool executives and managers use to give the impression that they are in control. Moreover, ECOs should ensure that management views E&C practices as a means of achieving corporate excellence and contributing to responsible business rather than focusing solely on protecting against criminal liability or achieving external legitimacy. The risk of decoupling E&C programs from day-to-day business activities leads to what practitioners commonly refer to as *paper compliance*, which does more harm than good because it simply demonstrates to employees a lack of coherence between what the company says in its code of ethics and internal policies and procedures and what is actually done and valued in practice. If employees perceive that E&C programs are not taken seriously by the organization, these practices will be marginalized, and their internal legitimacy will be seriously damaged.

As explained above, the effectiveness of E&C programs requires, among other things, critical reflection on the value added by the E&C controls and procedures in place, how they actually contribute to effective risk management, and how they actually enable employees to do their jobs and achieve their internalized goals and objectives.



This is particularly relevant if the company is genuinely committed to a new way of understanding business, one that is person-centered (and thus concerned with a wide range of employee motivations beyond self-interest and making money) and committed to creating value beyond a singular focus on the economic interests of shareholders (Freeman, 2017). Therefore, rethinking bureaucracy and its negative impact on people's work is necessary within a new business paradigm based on a more optimistic and broader view of human beings and their motivations.

### **2.5.3. The internal situational context-level barriers to internal E&C programs' legitimacy**

The third set of barriers identified in the data analysis is rooted in the situational context in which legitimacy evaluations of E&C practices occur rather than personal factors or the nature of E&C programs. Thus, they result from specific organizational circumstances. These barriers may hinder positive instrumental evaluations as they may be related to priorities that come into play in employees' daily activities, such as meeting sales goals to receive year-end bonuses. Indeed, previous literature suggests that although compensation may be an effective tool to encourage executives to achieve specific financial goals, it often fails to encourage them to focus on the ethical goals of the organization (Ullah et al., 2019). Along the same line, other studies (Ordóñez, Schweitzer, Galinsky, & Bazerman, 2009) found that challenging goals have significant side effects, such as neglecting non-goal areas (for instance, in our case, E&C programs). Furthermore, excessive workload can be indicated by "high levels of time pressure, backlogs, and a sense of having too much work or being overwhelmed by the amount of work one has to do" (Sherf, Venkataramani, & Gajendran, 2019). We interpret that this theme raised by informants may contribute to employees' perceptions that E&C policies and procedures are an obstacle to completing their work tasks as they require time availability and focus that employees hardly can have and, thus, an obstacle to a positive instrumental evaluation.

On the other hand, limited face-to-face interaction with employees inhibits positive relational evaluations of E&C programs, as employees may feel that they are not relevant enough to the organization to merit more direct interaction. This finding was also related to relational legitimacy judgments on a three-year inductive study of one organization's implementation of radical organizational change (Huy, Corley, & Kraatz, 2014). Additionally, limited face-to-face interaction with employees may hamper employees' perceptions that these practices enhance their organizational identity and self-worth (Tost, 2011). It may also hinder the ability of ECOs to establish a personal relationship that allows them to be perceived as someone who facilitates employees' work rather than someone distant or antagonistic. Personal, direct interactions help establish a trusting connection, which Treviño and colleagues (2014) argue is critical to increasing employees' willingness to grant relational legitimacy. However, the lack of or limited direct face-to-face interactions between the E&C function and other members of the organization could also directly impact how employees evaluate the integrity of the practice if employees morally value having personal interactions with critical areas of the organization that may affect their day-to-day activities. Again, this could be the case if employees are typically more organization-oriented than extrinsically oriented (Tost, 2011).

Nevertheless, the most repeated theme across informants is the *lack of support from top management* regarding corporate E&C practices. ECOs revealed this circumstance as a critical factor hindering employees' endorsement. Indeed, Treviño and colleagues (2014) previously identified organizational executives' support as one facilitating condition for the ECOs' internal legitimacy.

Revisiting the tone at the top through the lenses of legitimacy judgment theory allows a more nuanced understanding of why top management's support is crucial for institutionalizing E&C practices. It represents a critical social cue for the validity of E&C practices as it provides evidence that relevant others (top executives) are endorsing or authorizing these practices (Johnson et al., 2006; van den Broek et al., 2023), contributing to employees forming their legitimacy judgment without engaging in the effortful information processing that instrumental, relational, or moral evaluation

entails. The lack of support from top management would thus contribute to the employees' passive evaluation, which, in this case, forms a negative belief in the validity of E&C programs. In the case of E&C practices, legitimacy passive judgments are thus critically influenced by how top management's support is perceived or noticed inside the company.

However, it is worth taking a critical look at what top management support really means and, more importantly, the intentions behind it. For example, employees' perception that the E&C program is primarily intended to protect top management from blame will foster negative perceptions of the program because the E&C program would be perceived as not being intended for what it should be and lead to its ineffectiveness (Treviño et al, 1999). The authenticity of an E&C program begins with the integrity of why top management implements and supports it (Hoekstra & Kaptein, 2021). Authenticity thus implies that top management adopts the E&C program for what it represents and not for other purposes. How this purpose is conveyed and communicated critically impacts how employees perceive these programs, particularly from a moral perspective. In this regard, it is essential to highlight that moral legitimacy is a critical dimension of legitimacy. Indeed, according to some scholars, it could even be considered the "true meaning of the word legitimacy" (Koppell, 2008; Melé & Armengou, 2016)

Moreover, the moral legitimacy of any particular project or activity is necessarily based on sound ethical principles that provide leaders with a moral sense that helps them convince others of its ethical acceptability (Melé & Armengou, 2016). Therefore, we might also conclude that apart from contributing to employees' validity judgments, top management support, if grounded on sound ethical principles, will contribute to confer moral legitimacy to the E&C program. In addition, the intentional integrity of top management in establishing and supporting these practices is reflected in their commitment to demonstrating exemplary behavior and providing the necessary resources to make the E&C program feasible (Hoekstra & Kaptein, 2021).

*Implications for professional practice:*

The managerial and practical implications of these barriers are, therefore, several: (1) incentives and remuneration programs may hinder favorable instrumental evaluations of E&C practices if only focused on quantitative sales goals; (2) work-loaded organizations represent a risk for E&C programs' internal legitimacy; (3) ECOs should facilitate, when possible, face-to-face interactions with employees and; (4) ECOs should pay attention to the motivational dynamics that come into play when top managers promote and encourage the implementation of E&C programs and how this might be projected onto the E&C practices.

First, suppose companies are genuinely committed to integrating ethics and compliance into their day-to-day activities and making them an integral part of business success. In that case, they should ensure that employee performance is measured accordingly, not just against quantitative indicators based on economic performance. Therefore, employee incentive programs should be designed so that they do not prevent individuals from properly internalizing ethical and legal compliance as a critical business goal. On the contrary, they should help employees comprehend that compliance with E&C policies and procedures is integral to business success. Otherwise, these incentive mechanisms will prevent employees from viewing E&C programs as legitimate from an instrumental perspective. Instead of facilitating business goals, they will become an obstacle or something unrelated to successful performance. In addition, these incentives inhibit favorable instrumental judgments because incentivizing employees to pursue only increasing business profits will affirm a business logic that confirms or reinforces employees' perceptions that E&C is a business stopper (another critical barrier raised above, which is sourced in the employees' personal characteristics).

Similarly, a company that seeks to genuinely adhere to a new understanding of business- a new story of business (Freeman, 2017)- should consistently incentivize employees to work and measure their performance accordingly. Using only quantitative sales targets, they reaffirm the traditional economic paradigm and create a dissonance that can lead employees to make negative moral judgments about the employees' performance evaluation system and the entire organization. In other words,

a company that flies the flag of integrity and sustainability but maintains a pure profit orientation and does not change its practices is engaging in mere window dressing.

Second, organizational contexts in which employees feel overwhelmed by increasing workloads are unlikely to encourage compliance with all the bureaucratic requirements that E&C programs usually entail and that employees may not consider relevant to achieving their tasks and goals. Organizations should consider the work climate and how increasing processes and procedures affect it when establishing E&C programs. A balanced workload for employees and E&C requirements that make it easier for employees to do their jobs contribute to employees' well-being and their perception of E&C policies as valuable and effective in helping them achieve their work goals. This organizational philosophy would be consistent with the tenets of a humanistic approach to management that focuses on employees' emotional and health well-being and meaningful work. It offers a promising framework for designing E&C programs, particularly as organizations seek a new way of understanding business that moves beyond the pure economic paradigm.

Third, ECOs should seek and take advantage of direct face-to-face interaction with employees and, most importantly, involve employees in designing and developing E&C policies and procedures so that they become personally involved and can make them their own. In this way, ECOs help affirm employees' social identity and self-worth and ensure that their legitimate concerns and interests are genuinely taken into account. Despite the apparent value of online training and meetings in large organizations (where it is more challenging to have direct contact with all employees) or when unexpected circumstances prevent direct face-to-face interactions (such as the recent COVID-19 pandemic), ECOs should try to establish personal connections with employees. That way, employees feel valued, trusted, and respected members of the organization, especially when face-to-face interactions are limited or impossible. Practicing active listening or fostering trust seem powerful practical tips for ECOs to increase relational legitimacy and be perceived as someone employees may reach out to raise E&C concerns or seek advice. Someone who is accessible and is genuinely there

to help employees comply with E&C policies and procedures and adhere to the values the company has publicly communicated in its code of ethics.

Finally, more attention should be paid to the motivational dynamics that come into play when top managers promote and encourage the implementation of E&C programs and the appointment of an ECO, as well as how this is projected into the E&C practices. Following previous work by Hoekstra & Kaptein (2021), motivation refers to the moral impulses and ideals that underlie the implementation of an E&C program and the fact that it is used for what it is intended to do: support employees' ethical and law-abiding behavior. To this end, the motives for adopting the program should be based on specific sound moral principles, ambitions, and responsibilities. The motivations for implementing an E&C program should, therefore, be at least intrinsic and not just extrinsic (such as avoiding criminal liability or gaining a competitive advantage). This motivation should then be reflected in providing the means to enable employees to work ethically (Valentine & Fleischman, 2008), thus fostering the coherence and sense-making of these practices.

#### **2.5.4. The paradox of E&C programs' ultimate goal and the existing structural barriers to their relational and moral legitimacy**

The traditional orientation of E&C practices is typically reflected in adopting sanctions-based, command-and-control approaches to behavioral control. It is also reflected in the building of the E&C program around too many bureaucratic rules and procedures, where compliance and ethical behavior are promoted primarily through the imposition of external regulation (in the form of values, rules, and procedures), vigilance, and disciplinary action. As discussed earlier, these two typical features of E&C programs can inhibit employees' relational or moral evaluations. They may cause them to question whether they are being treated fairly or whether a particular value, rule, or practice makes sense within specific moral considerations. The above raises two paradoxes that are worth reflecting on here.

The first paradox is that a corporate E&C practice or a whole E&C program genuinely intended to contribute to a moral good (e.g., preventing corruption, contributing to socially responsible behavior, and so on) could be internally evaluated as morally wrong. Previous literature on business ethics and management has systematically pointed out that the ultimate goal of E&C programs is to promote an ethical corporate culture that instills employees' (and managers') ethical and law-abiding behavior (Treviño et al., 2014). Therefore, it is crucial to keep in mind that people strive to follow their inclinations to do what they believe is morally right (Tyler & Blader, 2005). Thus, employees' positive moral evaluations of E&C programs are necessary, so these practices make sense and become meaningful and consistent with their ultimate purpose, as defined in the scholarly literature. Previous literature argued that moral legitimacy is the accurate meaning of the word legitimacy (Koppell, 2008; Melé & Armengou, 2016). Indeed, moral legitimacy has become the core source of societal acceptance, implying a more robust judgment-based than typically instrumental or pragmatic reasoning (Palazzo & Scherer, 2006). Therefore, institutions (including E&C practices) should strive to attain moral legitimacy and not just focus on their activities' instrumental or pragmatic aspects,

According to Foldvary (2012, cited by Melé and Armengou, 2016), something is legitimate when it conforms to rules, and moral legitimacy thus means in accord with a moral standard (an ethic). Even with the best of intentions, a company may impose rules and procedures that employees perceive to be inconsistent with a moral principle, leading to a negative moral evaluation. This could be the case if the company imposes values or rules that infringe on employees' freedom of thought or restrict the exercise of certain rights that are considered to belong to the sphere of private life or if it appoints an ECO who does not conduct his or her activities with integrity and lead by ethical example. Another reason an E&C practice may not be judged favorably from a moral perspective is the potential for misunderstanding the ethical issues at stake, which relate to the employees' moral selves. This underscores the need for clear communication and education among employees. They may not always agree with the ethical values and principles underlying the implemented practice, or they may not be

able to see and understand the moral issue at stake (for example, some employees may not be able to see the risk involved in accepting/giving certain gifts and hospitality from/to third parties). Furthermore, from a moral standpoint, the employee may also perceive a disconnect between what the program says and what the company and its top managers communicate and value, so that all the bureaucracy on which the E&C program is built may be seen as just a lot of paperwork that serves no purpose, and therefore may be judged to be morally wrong.

The second paradox is that an E&C program that attempts to contribute to a better corporate culture and foster employees' commitment may end up having the opposite effect because employees perceive that they are being treated as potentially non-compliant, criminals, or disregarded under a "command and control" system. In addition, as discussed earlier, the command-and-control bureaucracy in which these programs tend to be based can make employees' jobs more difficult and foster dissatisfaction and demotivation (Adler & Borys, 1996). For example, Stansbury and Barry (2007) emphasize the critical role of internal control practices in reorienting organizational activities toward collaboration and results. However, they suggest that such control can have detrimental consequences depending on how it is exercised. An E&C program with an overly coercive approach that focuses excessively on detecting and disciplining violations suggests that the organization does not trust employees or that they are otherwise ethically incompetent. It also runs the risk of assigning responsibility to employees without enabling them to know or understand how to properly carry out those responsibilities (e.g., not facilitating compliance with the established rules and procedures and not making it reasonably easy for employees to do their jobs). We might conclude that, in this case, employees will feel that they are not being treated fairly or that their interests and internalized goals are not being considered. On the contrary, as Weaver and Treviño (1999) explain, when employees perceive that the organization supports their goals and cares about their well-being, it creates a sense that they should support the organization's goals in return. Employees' sense of being treated well is essential to building an organizational culture based on a strong sense of doing the right thing, complying with the organization's internal rules



and procedures, and where people are trusted, respected, valued, and encouraged to reach their full potential. However, only those at the top can decide, or at least have the power to, create an environment based on nurturing lasting relationships within the organization and enabling a climate of trust and cooperation (Bartlett & Preston, 2000).

*Implications for professional practice. A person-centered E&C management:*

To influence employee behavior positively through E&C programs, companies must first gain employee commitment and support for the various practices within these programs. Previous literature suggests that this support depends on favorable evaluations of the legitimacy of these programs. According to the identified structural-level barriers, E&C programs rooted in a narrow legalistic and command-and-control approach, assuming people are only rational, self-interested human beings, will not succeed in gaining employees' favorable legitimacy evaluations. This is because relational and moral considerations also play a critical role. Suppose E&C programs are to contribute to responsible, ethical business and sustainability. In that case, these corporate practices should be fully aligned with the new way of understanding business that includes a view of employees as persons and what the concept of "person" represents. It requires an alternative approach to business management that puts people and the complexity of human nature at the center. It also involves a shift from a profit-centric to a stakeholder-centric approach that recognizes the importance of all stakeholders, including employees, to the business's success (Freeman, Martin, & Parmar, 2020). Freeman's recent work reinforces the need for businesses to understand that they do not manage stakeholders. They manage for stakeholders. Businesses are human institutions populated by real, complex people, not mere placeholders for social roles (Freeman, 2010). In a new narrative, business is about creating value beyond maximizing profits for shareholders and ultimately contributing to collective flourishing, in which each stakeholder becomes an end - not just a means - and a beneficiary of business (Freeman, Phillips, & Sisodia, 2020). These considerations lead us to the ideas embedded in a humanistic approach to management.

Humanistic management is a notion used for organizing practices that protect dignity and promote well-being and human flourishing (Pirson, 2023). It is a person-

centered management that seeks, among other things, profit for human purposes (Melé, 2016) . As Melé (2016) points out, this type of management is not only about achieving results through people but, above all, about people and caring for their flourishing and well-being. This approach to management is based on three key pillars (Melé, 2016; Melé, 2003; Pirson, 2023):

- (1) Protecting human dignity.
- (2) Promoting human flourishing, a conceptualization of human well-being that includes mental and physical health, happiness, and life satisfaction, meaning and purpose, character and virtue, and close social relationships.
- (3) Organizing in ways that include a focus on the common good, which we presume requires ongoing dialogue with stakeholders (including employees) and ethical reflection (ethical decision-making).

Organizational leaders that genuinely commit to a new business paradigm should view E&C programs through the prism of human dignity and the complexity of the concept of "person", which includes moral and relational aspirations. Humanistic management offers a promising framework to transform E&C programs into a more person-centered set of corporate practices, positively impacting employees by fostering their dignity and promoting their well-being and flourishing. This type of management is based on an alternative way of understanding human motivations that goes far beyond money and status and includes the drive to bond with fellow humans and comprehend and make sense of the world (Pirson & Lawrence, 2010). A human (person)-centered approach to E&C management would, therefore, contribute to employees' favorable legitimacy evaluations, particularly from a relational and moral dimension (the latter being considered, as explained above, as the true meaning of legitimacy). Furthermore, it would respect and consider personal values and aspirations, making employees feel valued and integral to the company's operations.

A person-centered approach to E&C management can positively influence organizational behavior. A humanistic management research avenue for improving E&C programs would bolster their effectiveness in cultivating an ethical organizational environment and fostering socially responsible and sustainable behavior (ISO, 2021). It

would provide, for example, a theoretical framework for reconsidering traditional behavioral control structures and incentive systems, aligning them more closely with the human nature and motivations a new business paradigm embodies.

## **2.6. Limitations of the study as opportunities for future research**

This study aimed to unravel potential barriers to internal audiences' favorable legitimacy judgments of the E&C program using qualitative-interpretive research. First, as a qualitative research study, it does not allow us to infer cause-and-effect relationships but to explore the critical factors that may influence employees' perceptions of the appropriateness or desirability of E&C programs and build a model grounded on the findings. Therefore, we used ECOs as *knowledgeable agents* and looked through their experiences from different industries. The proposed model should be tested by quantitative research methods.

Second, the barriers' model, contextualized in a specific setting (Spain-based companies), paves the way for further studies to investigate how different cultural settings might influence ECOs' experiences and perceptions. Another significant limitation relates to the wide-open approach of the sample, which hinders the opportunity to specifically reflect and delve into barriers that might be industry-specific (banking, pharma, manufacturing, etc.). It is also important to note that this study focuses only on internal barriers, leaving room for future research to consider external factors, such as regulatory frameworks or stakeholder demands, that may influence employees' evaluations of the legitimacy of E&C programs.

Moreover, future research could identify the barriers that most inhibit favorable legitimacy judgments based on the level of interaction employees have with the E&C function (direct evaluators versus intuiters following Haack, Pfarrer, & Scherer, 2014) . A differentiation between legitimacy judgments of senior management and regular employees should also be explored.

Furthermore, the motivational integrity of top management emerges as a critical factor. If E&C programs require that the motives for adopting them be based on

certain moral ideals, ambitions, and responsibilities, it is worth considering how these moral ideals are achieved. Moral development theory offers a promising framework for theorizing the development of top management's intentional integrity and moral commitment to implementing E&C programs. It opens an interesting line of research that might help organizations diagnose the level of commitment at the top.

In addition, as explained above, this study offers a promising line of research on the use of humanistic management principles toward a person-centered approach to E&C practices. Future research could examine the findings of this study through the lens of humanistic management theory. By extracting its central tenets (human dignity, people's well-being, and organizational practices oriented toward the common good), it could reframe E&C practices (especially their behavioral control dimension) to overcome the current barriers that limit employees' full participation and, most importantly, their commitment and sense of purpose beyond the avoidance of punishment and sanctions. This research could provide a theoretical framework on how E&C practices can be substantially improved and generate responsible and ethical business through a person-centered orientation inspired by a more humanistic approach to managing E&C practices. It would contribute to the existing literature on humanistic management and expand the possibilities for value creation through human flourishing within the organization and society. It could also test employees' perceptions of the relational and moral aspects of certain E&C practices and identify relationships and possible connections.

Finally, introducing new technologies such as Generative AI (GenAI) requires a deeper understanding of their potential impact on the E&C function. While it offers promising tools to support ECOs, we must also consider the implications for the internal legitimacy of E&C programs. Specifically, we need to explore whether this technology shapes employees' perceptions and evaluations of the legitimacy of E&C practices. In doing so, future research could explore why and how.

## 2.7. Conclusions

By institutionalizing ethics and fostering ethical behavior within the organization, E&C programs can help companies build socially responsible behavior and sustainable businesses, walking their moral talk and positively impacting society. However, if employees do not perceive these practices as appropriate, their buy-in and support may be undermined. How employees feel and perceive E&C initiatives appears to be critical to the internal legitimacy of E&C programs and, thus, to the ability of E&C programs to undertake a responsible business and to contribute to a more sustainable world in the broadest sense.

Considering ECOs as knowledgeable agents and giving account of their experiences, the results of this qualitative study reveal that three levels of organizational barriers may hinder employees' favorable legitimacy judgments of corporate E&C practices: person-level, structure-level, and situational context-level. These findings highlight the need for companies to focus on the persons involved in putting the E&C program into practice, how the E&C program is designed and oriented, and the particularities of the internal situational context of the organization with a particular focus on the tone and support from the top.

Therefore, individual-level judgments about the appropriateness of E&C practices appear to be a critical phenomenon to which companies should pay more attention. As Tyler points out (2006), legitimacy is linked to the human desire to make sense of existing social arrangements – in this case, the E&C program – by equipping them with the assessment that they are appropriate and reasonable. Thanks to legitimacy, people voluntarily follow a decision or norm and not out of fear (or desire to obtain a reward). In this way, being legitimized is essential for the success of an authority, an institution, or a social system since its capacity for influence will not be based only on the possession and use of power but on its ability to obtain the consent or voluntary approval of those who are subject to its scope of application. The identification of the barriers that may impede these positive evaluations helps ECOs to design and develop more effective practices, contribute to their solid institutionalization

and their internal audiences' perceptions of adequacy and appropriateness, and thus gain internal support. Employees' unfavorable judgments about the appropriateness and desirability of E&C practices can lead to isolated instances of non-compliance and, through consensus, to a generalized perception of the illegitimacy of E&C programs, leading to institutionalized noncompliance.

Finally, in companies where the organizational culture is based on a solid ethical value system or a person-centered approach that fosters respect and self-esteem, employees tend to have a high level of social identification with the organization, making moral or relational considerations personally relevant. Therefore, an E&C program that aims to reinforce a solid values-based organizational culture should pay close attention to how E&C practices may be affected by any of the identified barriers and might be judged unfavorably from a moral or relational perspective. A more person-centered approach to E&C management provides the basis for developing E&C practices that consider employees in their whole dimension as persons, treat them with due respect and dignity, encourage and help them to reach their full potential, and enable them to visualize the contributions of E&C practices to the common good, thereby increasing their intrinsic motivation to comply.



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CHAPTER 3. ETHICS AND COMPLIANCE PROGRAMS FOR A  
NEW BUSINESS NARRATIVE: A KOHLBERG- MODEL FOR  
DIAGNOSING COMMITMENT AT THE TOP





This is the accepted version of the following article:

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### 3.1. Introduction

Ethics and Compliance (E&C) programs are a promising self-regulation and corporate governance mechanism for "creating and maintaining organizational environments that aim to produce ethical and law-abiding employees" (Treviño et al., 2014, p. 86). Beyond their legal and corporate defense implications, these programs contribute to institutionalizing ethics in the company (Weber, 1993) and to building socially responsible behavior and successful and sustainable business (International Organization for Standardization, 2021). In other words, by turning the rhetoric of ethics into action, they help firms walk their moral talk. However, for an E&C program to support ethical goals, there must be a commitment to ethics by those who decide on its implementation: the top management. This commitment is essential to recognize the intrinsic value of E&C practices in integrating ethics into daily business activities and to ensure ethical behavior among employees. Without this commitment, E&C programs can be misused for other purposes and become ineffective window dressing.

A genuine commitment to E&C programs (a commitment to what an E&C program is really for) thus necessarily requires some form of reflection on what is right. Moral reasoning, or moral thinking, is the cognitive process that leads to judgments about which actions are morally right or wrong. It allows top managers to engage in moral valuing because it brings a distinctive point of view that places management decisions within a social and normative context and highlights moral considerations that might otherwise be overlooked (Paine, 1996). The term valuing (or valuation) is introduced here in the sense of judging something as valuable. Moral valuing is thus defined as using moral reasons to place a value on E&C practices. In contrast, instrumental valuing would imply using purely instrumental or pragmatic considerations to adopt them. Managers who eschew moral thinking risk omitting the essential reflections (Paine, 1996) that responsible business requires (Freeman, 2017; Freeman, Martin, & Parmar, 2020) and that allow moral value to be placed on the corporate practices intended to attain it.

While external pressures may drive the decision to implement an E&C program, previous research points out the critical role of top managers' moral reasoning, as

reflected in their commitment to ethics and intentions to "do the right thing," in its effective implementation. Earlier studies, such as Weaver and colleagues (1999b; 1999c), emphasized how top management's commitment to ethics influences integrating E&C programs into business processes. More recent work by Hoekstra and Kaptein (2021) also highlights the importance of top management's moral motivation and ethical ideals in ensuring the intentional integrity of these corporate practices. In essence, the success of the E&C program in promoting ethical and legal behavior among employees depends heavily on top management's moral reasoning, which provides the rationale for the moral value of these practices and translates it into tangible intentions and actions. Moreover, top management's moral reasoning becomes crucial in a new business narrative in which ethics is recognized as critical to business success (Freeman, 2017). Nevertheless, the influence of top management's moral reasoning on developing ethical commitment and intentional authenticity in implementing E&C programs has been overlooked. There is a gap in the literature regarding how moral reasoning might influence top management's valuation of E&C programs, so this commitment occurs. This connection is essential to diagnosing whether their commitment and support are driven by genuine concern and appreciation for what is morally right and ethically sound.

We aim to address this gap in the literature by offering a model to explain how top managers' moral reasoning stages dovetail with their moral valuing of an E&C program. We also aim to theorize how this moral valuing might affect the program's key features and implementation. Thus, the manuscript responds to the following research questions: (1) how top management uses moral reasoning to value an E&C program, and (2) how this valuation is projected onto the E&C program's design and practical implementation.

To this end, we use Kohlberg's six-stage moral development framework (Kohlberg, 1969; Kohlberg, 1976), one of the leading and most adaptable theories of moral reasoning. This theory has previously been used to measure where managers fall along the moral development continuum (Weber, 2010). By applying Kohlberg's theory to managers' moral reasoning, the manuscript theorizes how top managers' moral

valuing of E&C programs occurs and, thus, their sincere commitment and intention to implement them for what they represent.

The model results in four modes of moral valuing, ranging from pure self-interest to genuine concern for ethics. In addition, the manuscript theorizes and illustrates how each mode of moral valuing yields a distinct archetype of E&C program. As a result, it offers four distinct archetypes of E&C programs that allow us to rethink the traditional distinction between compliance and values-based E&C programs through the lens of moral reasoning. It shows that an E&C program genuinely aimed at promoting socially responsible behavior and sustainable business success requires competent and mature leaders with heightened moral reasoning.

This work contributes to the literature by offering a moral-based model that explains how top managers' moral thinking shapes their commitment and intentions toward E&C programs, thereby influencing the practical aspects of these corporate practices. Specifically, the model delineates how top managers' moral valuing of E&C programs varies along a moral reasoning continuum, illustrating how their commitment and intentional integrity (Hoekstra & Kaptein, 2021) develop. It also connects top management's moral valuing to the characteristics of E&C programs, presenting four archetypes that deepen our understanding of top managers' role in implementing these corporate practices. Consequently, top management moral valuing is also introduced as an independent variable capable of explaining variations in the design and implementation of E&C programs.

The manuscript is organized as follows. First, it introduces Kohlberg's cognitive moral development model applied to managers. Second, it examines E&C programs within a new business conceptualization, identifying four critical dimensions for evaluating their alignment with a responsible business paradigm. Third, it proposes a model of top management's moral valuing modes based on four stages of moral reasoning, projecting each onto the identified dimensions, resulting in four distinct archetypes. Fourth, it discusses theoretical and practical contributions and outlines implications for future research. Finally, it draws some conclusions.

### 3.2. Kohlberg's theoretical framework applied to managers' moral reasoning

Kohlberg's *Cognitive Moral Development* (CMD) framework (Kohlberg, 1969; Kohlberg, 1976) focuses on why certain actions or decisions are perceived as morally preferable rather than on the actions themselves. Because it focuses on moral reasons, it provides a solid framework for exploring the moral impulses and ideals that lead top management to value the implementation of an E&C program, which is a critical factor in ensuring its authenticity or intentional integrity (Hoekstra & Kaptein, 2021). This theory has previously been used to examine where managers fall along the moral development continuum (Elm & Nichols, 1993; Weber, 1990; Weber, 1991; Weber & Wasieleski, 2001; Weber, 2010), and we adopt it here as the theoretical framework to explain how top managers can use the different stages of moral reasoning to undertake moral valuing of E&C programs.

CMD supports the idea that moral reasoning has a cognitive base and categorizes the various reasons given to justify an action or decision into six stages of moral development that are grouped into three levels of moral reasoning: *preconventional*, *conventional*, and *postconventional*. There are two stages within each level, with the second stage representing more advanced moral reasoning than the first stage in that level. Therefore, each stage represents a qualitative difference in modes of thinking compared to the others. Besides, according to this theory, individuals resort to the highest stage available to them; however, they may comprehend reasoning at all stages below their own (but not more than one stage above) (Treviño, 1992).

The *preconventional* level is represented by stages one and two. At this level, a manager distinguishes between right and wrong based on the personal consequences and immediate interests involved, which include punishments at stage one and external rewards or exchange of favors at stage two (Weber, 2010). As managers' performance is usually assessed against the firm's performance, their self-interests are interwoven with those of the company they lead. Therefore, we presume that, at this level, a manager would also pursue to avoid painful consequences or obtain external rewards for the corporation. The preconventional manager at stage one defers to power and obeys the rules only to avoid punishment, while at stage two, he or she might take

others' interests into account (for instance, employees or customers) only if that brings any benefit to oneself and/or the company (Logsdon & Yuthas, 1997). At this level, top managers consider laws and regulations as imposed and external to oneself (Treviño, 1992), and they could be obviated if fulfilling self-interests is at risk. Managers' reasoning is egocentric.

The *conventional* level of moral reasoning is represented by stages three and four. At this level, the manager understands that moral rightness and wrongness depend on complying or not complying with the expectations of others or maintaining or not maintaining conventional order (Weber, 2010). Kohlberg's research placed most adults at this level, in which moral reasoning depends on what others think or expect, so the conventional level thinker's perspective starts to move from selfishness to concern for others (Weber & Wasieleski, 2001). At this level, managers internalize the externally validated norms (Logsdon & Yuthas, 1997). At stage three, the manager is primarily interested in interpersonal trust and social approval, and thus, his or her behavior is determined by significant others such as peers or external stakeholders (Logsdon & Yuthas, 1997; Treviño, 1992). At stage four, the focus is expanded to consider the broader societal norms or laws when deciding or even the consequences to the social actors affected by the decision (Weber, 2010). Laws are respected not out of fear but because they contribute to society and the common good. The manager at this stage attains a sense of responsibility towards maintaining social order and becomes aware of other duties or obligations to which they have agreed (Treviño, 1986; Treviño, 1992). We might define this stage as *law-and-order* (Treviño, 1992) because it signals that the content of the law primarily guides what is considered the right course of action.

Finally, stages five and six represent the *postconventional* level of moral reasoning. At this level, moral rightness is determined by universal values or principles. Top managers thus look beyond societal norms and laws and the authority of groups or individuals. In line with Kohlberg's research findings on adults, relatively few managers operate at this level (Weber, 1990; Weber & Gillespie, 1998). At stage five, a manager would place value on laws and other societal rules because they represent the social contract, but he or she could consider the possibility of not applying a law if this is

required to fully adhere to an ethical standard (Treviño, 1992; Weber, 2010). At stage six, the manager is guided by self-chosen ethical principles consistent with society's expectations but chosen for their own sake, not because of what others expect. Besides, when laws and the manager's principles conflict, he or she would act according to those principles. The manager at this level sees beyond the law for law and order's sake (Treviño, 1992).

Previous research has concluded that the business environment influences top management's use of moral reasoning (Weber & Wasieleski, 2001) and that most managers stay at the conventional level (Elm & Nichols, 1993; Weber, 2010). Being accepted by others (guiding their behavior by what others think) and a sense of law and order are thus the most common reasoning levels in management, in line with Kohlberg's findings on adults.

To elaborate on the proposed moral valuing model, we have considered how previous research has applied Kohlberg's theory to study managers' moral reasoning. We have thus adapted Kohlberg's theory by collapsing stages one and two within the preconventional level and stages five and six within the postconventional one. As Weber suggests (2010), at preconventional reasoning levels, an adult rarely only focuses on avoiding punishment. Indeed, self-interest covers both avoiding any harm and obtaining rewards. Besides, it is also rare that individuals are found fully operating at postconventional levels of reasoning. When it happens, the individual's reasoning flows freely between stages five and six. Furthermore, according to Weber's (1990) findings, it is important to consider that managers might use different moral reasoning strategies in work and not work situations. As explained at the beginning of this section, we will use this theoretical framework to theorize how top managers' moral valuing of E&C programs might occur along the moral maturity continuum suggested by Kohlberg.

So far, we have introduced the scope and rationale of this study and presented the theoretical framework. The following section focuses on the critical dimensions that help to evaluate how an E&C program aligns with the core ideas embedded in a new business narrative.



### **3.3. E&C programs for a new business narrative: Four critical dimensions for considering the alignment of E&C programs with responsible business**

According to the definition provided by Martineau and colleagues (Martineau, Johnson, & Pauchant, 2017, p. 793), an E&C program is a set of explicit or informal corporate practices that “presents an essential teleological character aiming at increasing consciousness, reflection, and ethical behavior in an organization at the individual, collective or strategical level.” They may receive different names, such as *ethics programs* (Jannat, Alam, Ho, Omar, & Lin, 2021), *compliance programs or systems* (Chen & Soltes, 2018; Healy & Serafeim, 2019), *ethics and compliance* (Stucke, 2013), *integrity programs* (Hoekstra & Kaptein, 2021); or *ethical infrastructures* (Chui & Grieder, 2020; Tenbrunsel et al., 2003). The differences in their denomination signal what the firm means by ethical behavior, particularly the E&C practices intentionality and their underlying logic and ideology (Martineau et al., 2017). It thus may provide some cues on the prevailing “tone at the top” towards these corporate practices.

An E&C program that aims primarily to contribute to socially responsible and sustainable business (ISO, 2021) requires prior consideration and reflection on some key ideas that we found in Freeman's conceptualization of a new business paradigm (Freeman, 2017), which we consider relevant in the context of managing ethics and legal compliance in companies. These ideas form the basis of what should be considered an ethical and responsible business and are as follows: (1) ethics and values must be embedded in the company's purpose and daily operations; (2) the set of stakeholder relationships is the new unit of analysis, and stakeholders' interests are interdependent; and (3) people are more complex than what traditional economic and business theories assume, and there are also intrinsic motivations that come into play. Considering these central ideas and the requirements of the most recent international standard on compliance management systems, ISO:37301 (ISO, 2021), this manuscript identifies four critical dimensions for assessing the extent to which E&C practices are consistent with what responsible business means and thus reflect an authentic intention to contribute to it.

First, a responsible and sustainable business orientation requires that ethics and responsibility be embedded in the foundations of companies so that the term "business ethics" ceases to be an oxymoron (Freeman, Parmar, & Martin, 2016). In addition, the need for top management commitment to ethics is implicit in ISO 37301:2021, which states that an organization's approach to compliance should be shaped by "leadership applying core values and generally accepted good governance, ethical and community standards" (ISO, 2021, p. vi). Indeed, according to Hoekstra and Kaptein (2021), top management's motives for developing these programs should at least be based on specific moral ideals, ambitions, and responsibilities. These moral ideals and responsibilities are present in Freeman's idea of business: ethical principles such as responsibility, honesty, respect, and "nurturing care and love" are essential to business (Freeman, 2017). When corporate leaders integrate these values, they create a moral conscience that is projected onto the corporate level and reflected in the organization's bureaucracy, such as internal rules and policies (Goodpaster, 2022). The moral perspective of top management is thus an important influence on E&C programs (Weaver et al., 1999b), especially in a more responsible capitalism that recognizes the moral dimensions of business (Freeman et al., 2007). It shapes the moral intentions in the implementation of E&C programs.

Moreover, as Freeman (2017) points out, purpose, values, and ethics should live in an organization's systems and processes. Specifically, in the same line, ISO 3730:2021 states that top management is responsible for "ensuring the integration of compliance management system requirements into the organization's business processes" (International Organization for Standardization, 2021:7). Therefore, E&C programs, as a means of institutionalizing and integrating ethics into the organization, need to be part of daily business operations.

In this regard, according to previous research, top management's moral perspective influences not only the central goal and intentions of the E&C program (Hoekstra & Kaptein, 2021) but also its integration into daily business activities (Weaver, Treviño, & Cochran, 1999c). Indeed, previous research underscores top management's commitment to ethics in integrating these programs into daily activities and their proper

operation and performance (Treviño et al., 1999; Weaver, Treviño, & Cochran, 1999c). To avoid E&C practices that are easily decoupled from daily business activities, top managers should support ethics for its own sake (Weaver, Treviño, & Cochran, 1999c) and not as a tool to achieve other goals, such as avoiding punishment, gaining a competitive advantage or achieving external legitimacy for the firm. Decoupling is thus a serious threat to E&C programs' effectiveness: it makes internal legitimacy perceptions decrease, the E&C practices are not supported and endorsed and thus not applied, and misconduct is institutionalized (MacLean & Behnam, 2010; MacLean, Litzky, & Holderness, 2015). Therefore, both the moral intentions of the program and its integration into business activities are connected and emerge as critical dimensions to be considered when assessing the ability of E&C programs to contribute to responsible business.

Second, according to ISO 37301:2021 on compliance management systems (International Organization for Standardization, 2021), firms should properly consider stakeholders' needs and expectations to identify their compliance obligations. This requirement relates to management developing organizational processes to meet those expectations (Logsdon & Yuthas, 1997). We argue that this requisite implies a shift from a company's self-centered perspective to a broader perspective that includes an other-centered approach to risk management. It also involves assuming that people and companies are responsible for the impact of their actions on others, which is the moral cornerstone of a new business paradigm (Freeman, 2017). Therefore, moral responsibility for business activities should be considered when identifying and managing E&C risks and thus should be reflected in the E&C risk assessment. Just as determining moral responsibility for business activities requires going beyond what the law says, assessing the impact of business activities and decisions on stakeholders requires changing the references for identifying and measuring risk. It requires moving beyond narrow, legalistic approaches that focus only on negative impacts on the company and instead considering how business decisions can actually lead to adverse outcomes for stakeholders. The E&C program thus reflects how top managers

understand the company's stakeholder relationships, which is another critical dimension that shapes the contribution of E&C programs to responsible business.

Finally, corporate E&C programs are implemented and developed in firms, which, as Freeman points out (2017), are complex organizational contexts. Like any other organization, they are made up of human beings who are psychologically complex and may act from quite different and diverse values, perspectives, and motivations (Freeman, Martin, & Parmar, 2007). Although the profit-seeking orientation of corporations may pose conflicts with ethical and legal compliance (e.g., adopting a cost-benefit approach to compliance), individuals are not always "the rational economic beings that much of economic theory assumes [and] want to be involved in doing something that has meaning and purpose" (Freeman, 2017, p. 456). The individual's set of values, beliefs, and ethics play an extraordinary role and can motivate people to do things because they "want to" - internally motivated - and not just because they "have to" - externally controlled (Hofeditz et al., 2017). Thus, human motivations play a critical role in shaping organizational behavior and decisions and should be considered when designing E&C controls to align employee behavior with responsible business.

According to ISO 37301:2021, E&C programs also require incorporating control systems as formal elements that allow employees to align standardized behavior with organizational expectations. Stansbury and Barry (2007, p. 241) define control as "a rubric for various organizational mechanisms that foster consistency, predictability, knowledge acquisition, and coordination in the pursuit of defined objectives." Furthermore, control is an important management responsibility encompassing many types of organizational behavior, including ethical behavior and compliance with the law (Weaver et al., 1999b) and they may adopt coercive or enabling approaches (Adler & Borys, 1996). Within a coercive internal control framework, procedures help managers determine whether employees' actions comply with the defined objectives. They are not intended to help employees determine whether the process is working well, help them navigate the contingencies of the actual work process, or participate in their improvement. Besides, it uses punishments and rewards based on the view that people only follow the rules based on a cost and benefits analysis (Tyler & Blader, 2005). From

the employees' point of view, the E&C program may be perceived as a way for top managers to protect themselves and blame them instead (Treviño et al., 1999). However, an enabling approach to behavioral control relies on employees' understanding of the process that the organization seeks to monitor. Thus, employees are provided with a conceptual understanding of the organizational processes that allow them to respond effectively to contingencies (Adler & Borys, 1996; Stansbury & Barry, 2007). It implies an alternate approach to encouraging rule-following because it focuses on employees' intrinsic desire to follow organizational rules (Tyler & Blader, 2005) instead of an extrinsic one.

Therefore, choosing the behavioral control mechanisms within an E&C program is critical. It represents a choice about who is responsible and how - and how much - to prevent risks from materializing: (a) to take a reactive approach that focuses only on protecting senior management and the company from legal liability and blaming employees for potential conduct violations, or (b) to take a more proactive approach that focuses on actually enabling managers and employees to prevent misconduct through genuine commitment and internal motivations to comply. Suppose people are forced to comply only through fear of consequences rather than conviction. In that case, the control system would signal a very narrow view of human motivation, limited to rational cost-benefit analysis and guided only by external regulation, far from the idea of human complexity that underlies Freeman's ideas about business. Indeed, a behavioral control system within a new business narrative based on internalizing ethical values and principles should embrace a broader approach to human behavior.

As a result, how E&C program practices are designed to control employee behavior, especially if the goal is to promote the internalization of values, is also essential to understanding how E&C practices align with the core ideas embedded in a new business narrative.

Hence, we identify four critical dimensions that reflect how the E&C program contributes to responsible business: (1) its moral intentions, (2) its degree of integration into daily business processes, (3) its approach to managing stakeholders' expectations, and (4) its approach to behavioral control. They are considered to determine how top

management's moral valuing is projected into the E&C program. How these four dimensions are configured along the moral valuing continuum leads to four different E&C program archetypes, which are described in the following section, along with a proposed top management moral valuing model for E&C programs.

### **3.4. Diagnosing top management's commitment: A Kohlberg-based moral valuing model and four E&C program archetypes**

Building upon Kohlberg's *preconventional*, *conventional*, and *postconventional* levels applied to managers' moral reasoning, we illustrate below how top managers may use each stage of moral reasoning to value the implementation of E&C programs and how they would fit along a moral maturity continuum. The moral valuing model proposed here yields four distinct top management valuing modes: (1) valuing the E&C program because it represents legal protection; (2) valuing the E&C program because it contributes to relevant others' approval; (3) valuing the E&C program because it helps to comply with the law and maintain social order; (4) valuing the E&C program for its own sake: contributing to responsible business.

The model is summarized and illustrated in Table 9, which depicts a process of four distinct modes of moral valuing of E&C programs built upon Kohlberg's stages adapted to previous research on managers' moral reasoning (Weber, 2010).

Each top management's mode of moral valuing is projected into E&C programs in a way that yields a specific and differentiated archetype that can be described along the four dimensions identified in the section above: (1) moral intentions, (2) integration (actual implementation) into daily business processes, (3) approach to stakeholders, and (4) approach to behavioral control.

The resulting four archetypes are described right after explaining each moral valuing mode and are only intended as analytical abstractions, representing an E&C program's model that *might exist* rather than exist. In the real practice of corporations, the actual E&C program may share features of more than one, as top managers within the same corporation might exhibit different valuing approaches to these practices. The

**Table 9.** A Kohlberg-based model for top management's moral valuing of E&C programs

Kohlberg's managers' moral reasoning stages (Adapted from Weber, 2010)		Top management's moral valuing of E&C programs
↑ Top managers' moral development ↑	<b>LEVEL III- POSTCONVENTIONAL</b>  <i>Stages Five &amp; Six:</i> Guiding decisions by self-chosen moral values and principles.	<i>Moral Valuing Mode Four:</i> Valuing the E&C program for its own sake: contributing to responsible business. Genuine commitment at the top
	<b>LEVEL II- CONVENTIONAL</b>  <i>Stage Four:</i> Concerns for the law and social order.  <i>Stage Three:</i> Concern over the relationships with others and others' expectations: Being perceived as stereotypically "good."	<i>Moral Valuing Mode Three:</i> Valuing the E&C program because it allows to comply with laws and regulations, contributing to social order.  <i>Moral Valuing Mode Two:</i> Valuing the E&C program because it is what is expected and approved by relevant others. It improves the public image.
	<b>LEVEL I- PRECONVENTIONAL</b>  <i>Stages One &amp; Two:</i> Concern over the consequences of personal harm or need (self-interest).	<i>Moral Valuing Mode One:</i> Valuing the E&C program because it protects top managers (and the company) from legal fines or indictments (or gaining a business advantage)

↑  
 A moral  
 valuing  
 process for  
 E&C programs  
 ↑

**Table 10.** Four archetypes of E&C programs built upon four modes of moral valuing

E&C program archetype	Moral Valuing Mode One <b>Legal defense</b>	Moral Valuing Mode Two <b>External legitimacy-seeking</b>	Moral Valuing Mode Three <b>Legal compliance-oriented</b>	Moral Valuing Mode Four <b>Genuine ethics-driven</b>
E&C programs' dimensions for a new business narrative (Freeman, 2017 and ISO 37301:2021)				
<b>Moral Intentionality</b> <i>(Laufer, 1999; Long &amp; Driscoll, 2008; Paine, 1994; Treviño et al., 1999).</i>	Avoiding legal liability or obtaining some sort of advantage.	Attaining external legitimacy by satisfying relevant others' expectations.	Complying with the legal and regulatory framework.	Establishing self-governance that goes beyond the law by instilling ethical values. A genuine, responsible business orientation.
<b>Integration into day-to-day business processes</b> <i>(Laufer, 1999; MacLean &amp; Behnam, 2010; MacLean et al., 2015; Stucke, 2013; Weaver et al. 1999b).</i>	Easily decoupled ethics and legal compliance practices: <i>Paper compliance.</i>	Easily decoupled ethics and legal compliance practices: <i>Paper compliance.</i>	Integration of practices aimed at fulfilling regulatory or legal requirements. Easily decoupled ethics-oriented practices.	Fully Integration of ethics and legal compliance practices.
<b>Approach to stakeholders</b> <i>(Logsdon &amp; Yuthas, 1997)</i>	Only some stakeholders are considered for instrumental reasons.	A narrow market-based relationship with stakeholders, governed by what others expect.	A narrow market-based relationship with stakeholders, governed by laws and regulations.	Broad stakeholder's orientation that implies a genuine reciprocal relationship governed by ethical principles.
<b>Approach to behavioral control</b> <i>(Stansbury &amp; Barry, 2007; Tyler &amp; Blader, 2005; Paine, 1994).</i>	Coercive controls (command-and-control orientation). Assuming that employees are guided by material self-interest to instill compliance.	Coercive controls (command-and-control orientation). Assuming that employees are guided by material self-interest to instill compliance.	Coercive controls (command-and-control orientation). Assuming that employees are guided by material self-interest to instill compliance.	Enabling controls (values-orientation). Assuming a broad spectrum of human motivations that includes values and ideals to instill compliance.



important thing here is to identify which is predominant in a company, as this is key to understanding the central intentionality and orientation.

The four E&C programs' archetypes are exhibited in Table 10. The four modes of top management's moral valuing of E&C programs, along with the resulting four E&C program archetypes, are explained in the following subsections.

#### **3.4.1. Moral valuing mode one: Valuing the E&C program because it represents legal protection to top managers' (and the company's)**

At the *preconventional* level of moral reasoning, top managers' valuation of E&C programs is guided by self-interest. Managers are most concerned with the concrete consequences for themselves and the firm (as we have previously pointed out, some of their interests are intertwined with those of the firm they lead), especially punishments and external rewards (Treviño, 1986; Weber, 1991). Therefore, the value they place on E&C programs is purely instrumental. These corporate practices are valuable because they allow top management to protect themselves and the company from legal fines and litigation processes (Treviño et al., 1999), mainly when potential criminal liabilities are at stake. However, we argue that they could also be valued for allowing specific benefits, such as accessing a procurement process when having an E&C program is a requisite. Cost and benefits drive top management's considerations on the value of these corporate practices (Stucke, 2013). Top managers' valuation of E&C programs is thus devoid of moral considerations. This mode of moral valuing yields an E&C program archetype that we call a *legal defense* program because, although other interests may be at stake (e.g., gaining a competitive business advantage), legal protection can be assumed to be a predominant concern of self-interested top management when legal and regulatory pressures are present. Its characteristics are discussed below.

##### *a) Legal defense E&C programs' moral intentions*

When top management operates in a legal-defense moral valuing mode, avoiding legal sanctions becomes the goal and central intent of E&C policies and procedures rather

than the contribution of these practices to the actual development of ethical and law-abiding behavior. The critical objective is to protect management from employee misbehavior (Treviño, et al., 1999), so the E&C program is perceived as a legal strategy to limit criminal or civil liability (Laufer, 1999). Intentionality is exclusively guided by an extrinsic incentive that encourages top management to focus only on the cost and benefits of the E&C program, leading to a “check the box” compliance that discourages any critical judgment on these practices’ actual effectiveness (Stucke, 2013).

b) *Legal defense E&C programs degree of integration into business*

According to Laufer (1999), the implementation of E&C programs that are motivated solely by the desire to avoid punishment or to obtain an exemption or limitation of their legal liability creates a moral hazard that he calls *the paradox of compliance*: (1) companies view these measures as a kind of protective insurance against possible legal liabilities stemming from the actions of their managers and employees; (2) since companies feel already protected by the formally established mechanisms, they lose the incentive to maintain, integrate and actually apply them into their daily business routines and activities; (3) as a consequence, these programs become what practitioner's jargon often refers to as *paper compliance*. This phenomenon leads to the paradox that, far from being reduced, the misconduct the program initially intended to prevent might be actually generalized as no real control is in place (Laufer, 1999; MacLean & Behnam, 2010).

Indeed, previous research suggests that E&C programs can be easily decoupled from day-to-day routines and activities when managers are primarily concerned with financial, strategic, or operational issues (Weaver et al., 1999c). Therefore, when top managers only value E&C programs to protect themselves or the company from adverse legal or financial outcomes for the firm (like those derived from criminal liabilities) or a willingness to potential benefits and rewards, there is a high risk of decoupling formal E&C practices from daily business processes.

c) *Legal defense E&C programs' approach to stakeholders*

Logsdon and Yuthas' (1997) model of organizational moral development and stakeholder orientation provides a valuable resource for theorizing how this dimension might be oriented depending on top management's stage of moral reasoning and the moral valuation mode of E&C programs. Their model suggests that how top managers morally value relationships with stakeholders determines how they manage and view their responsibilities, which we suggest should be reflected in the corporate E&C policies and procedures. Applying Logsdon and Yuthas' (1997) model to a *legal defense* archetype of E&C programs (resulting from top managers valuing E&C practices as a tool to avoid legal penalties or gain business advantage), stakeholders are viewed only as serving the company's interests. Since the critical E&C risks to be managed are those related to litigation, indictments, and regulatory sanctions, the E&C program thus takes a typically reactive approach that considers stakeholders only for instrumental reasons. That is, as long as their inclusion in the E&C program helps prevent adverse outcomes for top executives (or the company). Moreover, whatever benefits the company (and its top executives) would be appropriate to do, regardless of the impact on others.

d) *Legal defense E&C programs approach to behavioral control*

As the primary goal or expectation is to avoid punishment, the detection and discipline of infractions become critical, and coercive formalization of control becomes a substitute for commitment (Stansbury & Barry, 2007). In this case, behavioral controls adopt a sanction-based command-and-control approach (Tyler & Blader, 2005). It represents a traditional approach to encouraging rule-following, drawing upon employees' instrumental concerns and utility maximization goals. It is aligned with the rational economic and self-interest approach to human behavior that a traditional business paradigm entails. A culture of obedience (employees are motivated through fear of consequences) and the perception that the E&C program exists to deflect blame from top management arises, harming employees' endorsement of E&C practices

(Treviño et al., 1999). Employees are encouraged to comply because they “have to,” not “want to” (Hofeditz et al., 2017). External regulation is, therefore, prioritized over self-regulation (Tyler & Blader, 2005). However, given the low actual integration (implementation) of E&C practices at this stage of top managers’ moral valuing, the monitoring and discipline practices application are infrequent, and there may be low monitoring reports or inconsistency in the application of discipline measures (MacLean & Behnam, 2010).

#### **3.4.2. Moral valuing mode two: Valuing the E&C program because it contributes to relevant others' approval.**

On a top management’s *conventional* level of moral reasoning, the E&C program’s design and implementation are based on what the conventions state (Falkenberg, 2004). For instance, the E&C program follows the institutional environment’s prescriptions to demonstrate that the company acts appropriately and adequately on a collectively valued purpose (Meyer & Rowan, 1977). That is what is externally expected. We may distinguish between two different top management’s valuing modes at this level. At a lower moral reasoning stage, top managers primarily establish an E&C program because that is what the stakeholders demand so they may improve their public image (and the company’s) (Treviño et al., 1999). Top managers are concerned over the consequences of relationships with others and a sense of duty to how others perceive them (or the company) (Weber, 1991). An E&C program is thus valued because it is what pleases or is approved by relevant others. In other words, the E&C program’s design and development are guided by top management’s desire or concern for the company’s external legitimacy and good reputation and signals what Treviño (1986) describes as *stereotypical 'good' behavior*. Top managers thus see these programs as worthy because they facilitate external approval, projecting the image of being a “good manager” (and a “good company”).

However, it should be considered that managers within this valuing mode still reason at a low moral maturity level, and results-oriented thinking, which seems predominant in business (Paine, 1996), may take precedence when profit-making is at

risk. Consequently, in such circumstances, concern for ethics might fade into the background, and only cost-profit analysis might guide business decisions or, at best, what the letter of the law allows to do (as a minimum moral criterion to avoid penalties). This moral valuing mode yields what we have identified as an *external legitimacy-seeking* E&C program. Its characteristics are explained below.

a) *External legitimacy-seeking E&C programs' moral intentions*

Within a top management's moral valuing mode two, E&C programs' formal elements, such as codes of ethics, are seen primarily as an "institutionalized organizational structure that extends some form of legitimacy to organizations" (Long & Driscoll, 2008, p. 173). Another good example is the creation of corporate E&C positions or ethics committees (Chandler, 2014), which can also serve as instruments to gain legitimacy and project an image of a "stereotypical" good company. Protecting executives and the company from legal liability remains a concern, but the most explicit set of stakeholder expectations is what E&C programs would seek to address in their specific codes of ethics and internal policies and procedures (Treviño et al., 1999). What is considered correct is what is acceptable to external constituencies.

b) *External legitimacy-seeking E&C programs' degree of integration into business*

As explained above, while E&C practices may contribute to achieving external legitimacy, they may also become purely cosmetic, disconnected from the organization's day-to-day activities, and thus ineffective (MacLean & Behnam, 2010; Meyer & Rowan, 1977; Stucke, 2013). As Meyer and Rowan (1977) pointed out, they can become rational myths whose legitimacy is based only on the assumption that they are rationally effective. Thus, if organizations adopt these programs only in response to external pressures or for the instrumental purposes highlighted in the valuing mode explained above (such as having a legal defense strategy in the event of a corporate scandal), it

may lead to merely adopting symbolic E&C practices. As MacLean and Behnam (2010) suggest, these practices would not be integrated into day-to-day activities, leading to a lack of internal legitimacy that contributes to the marginalization of the E&C program, allowing the institutionalization of misconduct.

Moreover, at this stage, in line with institutional isomorphism theories (DiMaggio & Powell, 1983), there would be a significant risk of E&C programs that are a mere copy of what other companies are doing. It is granted that companies might look at what other companies include in their E&C programs for a good reason (e.g., to articulate an E&C policy better) (Stucke, 2013). However, widespread plagiarism or *copycat compliance* (Stucke, 2013) may be common practice when E&C programs are valued only to gain external approval, indicating that they do not arise from top management's moral considerations and thus a genuine commitment to doing things right. Plagiarism increases the risk of *paper compliance* as a tool for ethics washing or window dressing because the primary intention is to be perceived as morally good by external observers rather than actually being good. Therefore, *paper compliance*, or *copycat compliance* (Stucke, 2013), remains a high risk, even though top managers have begun to move from typical egocentric intentions to embracing and recognizing the expectations of others.

c) *External legitimacy-seeking E&C programs' approach to stakeholders*

According to Logsdon and Yuthas (1997), managers primarily concerned with fitting in with the industry and their peers would begin to recognize that they should fulfill their responsibilities to others. However, these responsibilities are only seen as negative duties (how not to behave) to a narrow set of stakeholders with a market-based or contractual relationship with the firm, such as shareholders, employees, or customers. The critical concern is to project an image of a "good company" that meets stakeholders' expectations of not being harmed. The stakeholder management approach reflected in the E&C program is not to take proactive actions (based on a sense of positive obligation) to maintain relationships based on long-term and reciprocal care (Freeman, Philips &

Sisodia, 2019) but to achieve external legitimacy and acceptance through moral minimums.

d) *External legitimacy-seeking E&C programs' approach to behavioral control*

The *external legitimacy-seeking* archetype reflects top managers' concerns about maintaining good relationships with peers and the industry and how they are perceived (Weber, 1991). The E&C program is valued as a tool to improve external perceptions and approval of top managers and the company. Thus, top managers' behavioral expectations of employees are still driven by external regulation and pressure (what others say, in this case), which may contribute to adopting symbolic policies and procedures to change external perceptions but without really aiming to change business-as-usual activities (MacLean & Behnam, 2010). Without concern for integrating moral considerations into business operations and decision-making, avoiding punishment is still the most critical concern, along with maintaining or improving external image and reputation. Therefore, we claim that this archetype still adopts a traditional coercive and command-and-control orientation (Stansbury & Barry, 2007; Tyler & Blader, 2005) based on detecting and disciplining violations of criminal (or other laws) as the primary way to demonstrate a commitment to good practice externally. Thus, a coercive approach to internal control remains. However, E&C practices' risk of decoupling might translate into inconsistent detection and discipline measures, and it might even happen that in some cases, certain employees, because of their role, might receive preferential treatment or just a "slap on the wrist" (MacLean & Behnam, 2010).

**3.4.3. Moral valuing mode three: Valuing the E&C program because it contributes to complying with the law and maintaining social order.**

At stage two of the *conventional* moral reasoning level, top managers already recognize and identify the importance of laws and regulations in maintaining social order and contributing to the common good. The moral principles of laws or societal expectations

are also identified and considered, and the law is upheld except in extreme cases where it conflicts with specific, fixed social duties (Treviño, 1992). E&C programs are thus valued because they allow the company to comply appropriately with legal requirements. Therefore, they adopt a legal compliance approach, in which legal and regulatory requirements are the primary determinants of the correct course of action (Paine, 1994). Legal considerations are the ultimate criteria that guide business conduct. This moral valuing mode yields what we identify as *a legal compliance-oriented E&C program*.

*a) Legal compliance-oriented E&C program's moral intentions*

Within this mode of top managers' moral valuing, the primary intention of the E&C program is to comply with legal requirements and prevent employees' violations, such as criminal behavior, in business activities (Paine, 1994; Treviño et al., 1999; Weaver & Treviño, 1999). Top managers know the red lines imposed by legislation and genuinely intend to instill good corporate citizenship by complying with social and legal conventions (Treviño, 1992). However, top managers comply with laws and regulations not out of fear but because they contribute to the social order. A legal compliance approach to ethics equates ethical behavior with compliance with laws and regulations (Paine, 1994). Therefore, the E&C program begins to distill a moral impulse, albeit limited to a legalistic approach to what ethical business means. The E&C program is thus valued for its capacity to prevent illegal behavior.

*b) Legal compliance-oriented E&C program's degree of integration into business*

Top managers within this mode of moral valuing of E&C programs already have a sense of duty to their professional responsibility and commitment to society's laws and regulations (Weber, 1991). Therefore, we would expect them to take the necessary steps to integrate controls into business processes to make this possible. However, they



still focus on external regulations as the primary guide to behavior. Integrating legal compliance into business processes includes developing legal compliance standards, training and communicating, handling reports of legal misconduct, or conducting investigations (Paine, 1994). The law is the maximum standard, not the minimum. It is the sole criteria that establishes what is right or wrong. Therefore, controls to ensure compliance with moral values and ethical principles may remain symbolic, only attempting to project a good image and thus easily decoupled from day-to-day business processes. For example, a code of ethics may be distributed to employees and signed by them. However, no further steps are taken to ensure the code's ethical values and principles are embedded and implemented, such as providing guidance and counseling or assessing performance against these values and principles (Paine, 1994).

*c) Legal compliance-oriented E&C program's approach to stakeholders*

The nature of duties to stakeholders reflected in this archetype of E&C program remains market-based (Logsdon & Yuthas, 1997), although they have already moved toward those stated in laws and regulations as they are the primary reference for moral rightness. Criminal behavior is a concern, not out of fear of punishment but because of the impact of criminal or other illegal behavior on stakeholders and society. Therefore, assessing the negative impact on stakeholders takes a legalistic approach: the potential adverse impact on stakeholders is mainly measured against the law, which is the maximum criterion. Adopting risk decisions based on ethical considerations, internalized values, and principles is thus not fully encouraged. There is still no real awareness of the role reciprocal and long-term relationships with stakeholders play in business success; those relationships are only based on what laws and regulations require.

*d) Legal compliance-oriented E&C program's approach to behavioral control*

A *legal compliance* approach overemphasizes the threat of detection and punishment to convey employees' behavior in lawful directions based on the behavioral assumption

that people are guided by material self-interest (Paine, 1994). However, since the tone from the top already embraces and instills the importance of laws and regulations in maintaining social order and contributing to the common good (Weber, 1991), we assume that this valuing mode is the prelude to a more empowering type of behavioral control, where employees are encouraged and helped to understand the why of laws and regulations and the moral considerations that they entail. Nevertheless, as previous literature points out (Stansbury and Barry, 2007), a legal compliance orientation of E&C programs is typically aligned with the implementation of coercive controls.

#### **3.4.4. Moral valuing mode four: Valuing the E&C program for its own sake.**

Top managers using the highest level of moral reasoning (*postconventional*) fully understand that “doing good” requires going beyond external laws and regulations. Ethical values and principles of conduct are thus upheld regardless of popular opinion (Treviño, 1986; Treviño, 1992) and then fully supported, modeled, and promoted from the top. A good example would be E&C anti-corruption policies and procedures that go well beyond legal requirements, both formally and in practice, and focus on the company's role in genuinely contributing to the values embedded in, for example, the Sustainable Development Goals (United Nations, 2015), such as the target in SDG 16 on combating bribery and corruption, regardless of what the industry does or say. At this stage, top management fully sees the moral value of the E&C program and adopts and supports it *for its own sake*. Creating an E&C program thus results from congruence and consistency in protecting and respecting internalized ethical values and principles, reflecting the moral compass and vision that top management provides and exemplifies. Top managers place a moral value on the E&C program because it enables responsible behavior (Paine, 1994). Thus, there is an authentic intention to put these corporate practices into practice and contribute to responsible business. This mode of moral valuing yields a genuine *ethics-driven* E&C program. Its characteristics are explained below.

a) *Ethics-driven E&C program's moral intentions*

An *ethics-driven* E&C program reflects top managers personally held moral values and beliefs, superseding society's laws (Weber, 1991). It already has a clear orientation to ethics and appeals to employees' aspirations for ethical behavior, aiming to enable responsible conduct (Paine, 1994). Legal requirements become the minimum criteria for behavior, and the E&C program emphasizes counseling, education, and role modeling (Driscoll & Hoffman, 1999; Paine, 1994). However, it can (and should) coexist with rules-setting and proper discipline and control (Paine, 1994). Previous research (Treviño et al., 1999; Weaver & Treviño, 1999; Weaver & Treviño, 2001) concludes that a values orientation is more successful in positively impacting employee behavior. Nevertheless, if employees also perceive a legal compliance approach, the program's effectiveness, particularly in reducing unethical behaviors, is also significantly positive. Besides, research suggests that raising awareness about the consequences of noncompliance with laws and regulations prevents legal violations and increases motivation to report them (Warren et al., 2014).

When legal compliance and ethics orientations converge into a mutually influential set of principles, they become powerful tools that contribute to achieving greater understanding and accountability within the organization (Gates, 2004). A successful E&C program in creating and maintaining organizational environments that produce ethical and law-abiding employees is thus the product of adequately integrating legal and broader ethical intentions.

b) *Ethics-driven E&C program's degree of integration into business activities*

Top managers who value the E&C program for its own sake express sincere concern for the integrity and signal coherence between what they say and do, which is projected into the E&C practices (Paine, 1994; Treviño et al., 1999). When top management is committed to ethics, E&C practices are integrated into business processes (Weaver et al., 1999c). Furthermore, we might expect that when top managers have fully

internalized ethical considerations that guide their decisions and genuinely value the implementation of E&C programs, they will take due care to ensure the ethics narrative is not just perceived as empty rhetoric (Weaver et al., 1999c).

*c) Ethics-driven E&C program's approach to stakeholders*

Within the highest mode of top management's moral valuing, the E&C program takes a broader stakeholder orientation, including non-market-based relationships (Logdson & Yuthas, 1997). It genuinely "manages for" stakeholders and treats them as long-term relationships to create value instead of treating them as mere transactions at the expense of the firm's economic interests (Freeman, 2010). Furthermore, moral considerations, including people and their well-being, involve top management fully knowing that "stakeholders have names and faces and children" and are "populated by real live complex human beings." Top managers would then understand that business is "fully situated in the realm of humanity" (Freeman, 2010).

We argue that risk management practice would now fully consider the organization's moral dimension and its activities' effect on stakeholders, not only the economic and legal aspects of business activities. As a result, risk assessment matrices include measuring the harm inflicted on stakeholders (for example, employees, customers, or providers), going beyond what legal and regulatory requirements dictate, and being proactively guided by the firm's commitment to ethical values and principles. The concept of risk thus goes beyond negative impacts caused to the company and entails full awareness of the moral responsibility for business action on others.

*d) Ethics-driven E&C program's approach to behavioral control*

In contrast to the traditional coercive and command-and-control approach, behavioral control is now shaped by leaders who morally value ethics and legal compliance, care about the well-being of employees, and provide the necessary resources to positively influence the organization's human capital. When organizations help employees comply

rather than adopt a more disciplinary approach, they foster intrinsic motivation to adhere to the control policies and procedures of E&C programs (Hofeditz et al., 2017). In ethics-driven E&C programs, controls are enabling rather than coercive (Stansbury & Barry, 2007). From the perspective of Kelman's (1958) approach to processes of influence on behavior, enabling controls contributes to promoting compliance with E&C practices through the internalization of their inherent values and moral rules to become congruent with employees' value system. Compliance with E&C policies and procedures becomes intrinsically rewarding. Employees comply because "they want to," not because "they have to" (Hofeditz et al., 2017).

### **3.5. Theoretical and practical implications**

The proposed theoretical framework extends the application of Kohlberg's cognitive moral development stages when applied to management (Weber, 1990; Weber, 1991; Weber 210) to how top managers might place a moral value on E&C programs, contributing to their genuine commitment. It offers a promising framework for explaining how different levels of moral thinking may facilitate the moral criterion that shapes top managers' valuing of these corporate practices and, thus, how the intentions at the top -the tone- might be shaped and directed.

We, therefore, introduce a new construct, the moral valuing (or valuation) of E&C programs, defined as using moral reasoning to place value on these corporate practices. It contributes to the business ethics and management literature by deepening the understanding of how top managers' tone and intentions toward E&C programs might vary along a moral maturity continuum and by exploring how their intentional integrity (Hoekstra & Kaptein, 2021) develops. Moreover, by relying on top managers' moral thinking stages, we also contribute to bringing morality back into organizational and institutionalization process studies (Moore & Grandy, 2017) and understanding the critical role of ethics and top managers' moral agency in firms.

Furthermore, by also focusing on how each mode of moral valuing is projected onto the E&C programs' design and practical implementation, this manuscript offers a more nuanced typification of these corporate practices, moving beyond the well-known

compliance-based and ethics or integrity-based continuum (Paine, 1994; Treviño et al., 1999; Weaver & Treviño, 1999). It introduces four archetypes of E&C programs: (1) legal defense, (2) external legitimacy-seeking, (3) legal compliance-oriented, and (4) ethics-driven. Although these archetypes might sound familiar and aligned with the four orientations previously identified by Treviño and colleagues (1999), they are built upon a moral-based framework in a way that has not been explained before and directly connected with the top management moral valuing of these corporate practices. Thus, they provide a broader understanding of why top managers may be committed to implementing these practices in their companies beyond purely instrumental or legalistic approaches and why their intentions may differ across organizations. The manuscript also illustrates how a top management's concern for external pressures may transform into genuine self-guiding values and principles through a moral maturity process and contribute to developing authentic values-based intentions for managing ethics and legal compliance in companies.

In addition, it may provide further insight into why some E&C programs that may externally appear to be values-based, aligned to what relevant others might expect, could be mere window dressing. According to the proposed model, the intentional integrity of E&C programs that are publicly presented as contributing to responsible and sustainable business actually depends on the extent to which top managers are authentically guided by moral thinking. In this sense, E&C programs that, at first sight, might be perceived as value-based and connected with an idea of business that goes far beyond maximizing profits for shareholders might, in reality, be driven only by a concern for what others expect, not by personally held values and beliefs. Thus, far from meeting the characteristics of genuine ethics-driven programs aligned with a new business paradigm, they could quickly become decoupled from business activities. Therefore, they would adopt a narrow, market-based approach to managing stakeholder expectations or practices to monitor and control behaviors that focus only on informing employees about the law and motivating them to comply only through fear of being caught. Our model provides research-based criteria for determining, through the four dimensions identified, whether an E&C program's commitment to ethics is genuine or

some sort of ethics washing. This opens up the possibility of distinguishing between supposed ethical leaders who are nothing more than followers of fashionable narratives or rhetoric (mantra followers) and those who go to the heart of the ethical issue, internalizing values and making all the necessary effort to put them into practice. Moreover, the model offered leads to a profound reflection on the limited role criminal compliance practices may play in changing behaviors. Despite their narrow legalistic approach, criminal compliance programs can and should be designed as a proactive tool for improving organizational behavior, not as a defensive strategy to avoid punishment.

From a practical perspective, the implications of this conceptual work are twofold. It offers opportunities for (1) improving professional practice and (2) aligning E&C practices with the core ideas embedded in responsible business as conceptualized by Freeman so they may fully contribute to them. First, the model could be further developed and operationalized at a practice level to provide a framework that professionals could use to improve their practice. For example, it could be used by Ethics & Compliance Officers (ECOs) to diagnose, through their work interactions with board or executive committee members, top management's current level of moral maturity regarding E&C programs and where to focus on increasing their moral awareness and contribution to their genuine commitment to ethics and, thus, their intentional integrity. It could also help ECOs determine how to adapt their speech to top management's moral thinking levels and find the strategy to help them better see and comprehend the intrinsic value of E&C practices. In addition, top managers seeking to enhance ethical development in their organizations through E&C practices may also find this manuscript helpful for guidance and reflection. Moreover, given the critical role of managers' ability to apply higher levels of moral reasoning in business contexts, educational institutions should be concerned about how moral education and awareness are actually taking place. This is particularly relevant in undergraduate and postgraduate business-related studies, as these studies can predispose the integration of moral considerations in future generations of business leaders and contribute to their ethical commitment and moral valuing of managing ethics in organizations.

Second, we also argue that valuing the role of E&C practices in integrating ethics into business runs parallel to a commitment to a new business narrative as conceptualized in Freeman's work. In this regard, our framework helps provide a theoretical basis for linking corporate integrity and sustainability to developing genuine and authentic values-driven E&C programs that turn the rhetoric of ethics into practice. E&C programs do so by (1) internalizing ethics into business through the integration of responsible practices into business operations, (2) paying due attention to and adequately managing the potential impacts of business activities on stakeholders, and (3) viewing the drivers of managerial and employee behavior from a broader perspective that fosters intrinsic motivations (rather than fear and coercion) to do the right thing in the right way. Exploring the possible synergies between a new business narrative and E&C programs would be helpful. We see a clear dialectical process between Freeman's proposal and the quality and effectiveness of E&C programs (one reinforcing the other). Both elements are mutually enabling.

However, our theorizing is limited in three ways. First, it only focuses on the highest level of responsibility in directing and controlling the firm and how its moral outlook influences the characteristics of E&C programs. A top manager's moral outlook is a relevant factor that requires study, but it is not the only one that contributes to E&C programs' effective implementation. Middle management's role is also critical, as they become, on most occasions, the ones that transmit top management's tone and intentions to regular employees. It might become a critical barrier to E&C programs' effective integration into business activities if they do not have the appropriate tone and moral conviction. Second, our focal concern is the top-down influence within the organization. Therefore, our model does not answer how a bottom-up process may also occur and influence how specific corporate initiatives are oriented and designed. It could be addressed in another study. Finally, this theoretical study focuses only on the cognitive process that influences decisions and behaviors within a business context. However, it does not consider how situational (size, industry, or jurisdictions, for example) or other individual factors (for instance, age, gender, or studies) may also



influence the intentionality behind adopting or supporting these corporate practices. These limitations are opportunities for further research.

### **3.6. Conclusions**

In the aftermath of economic, political, and global health crises, a new way of understanding business seems crucial to creating and sustaining more responsible companies. To this end, companies need mechanisms to turn these ethics and sustainability discourses into actual practice. In this context, E&C programs emerge as promising corporate governance tools to make it possible.

In light of the underlying ideas of a new business narrative and the most recent international standards for compliance management systems, compelling and successful E&C programs require top managers to expand their motivational structures when adopting and implementing them. They need to be authentically aware of and responsive to the moral considerations that responsible capitalism entails, contributing to their intentional integrity when implementing or supporting E&C programs in the organization. A genuine commitment to ethics is the cornerstone of those E&C programs that seek to be fully aligned with societal expectations and integrated into daily business activities. Moreover, this commitment can only take place in an open-minded approach to the relationship between business and society, and even more so, morally mature individuals in the role of corporate leaders.

Top managers' moral reasoning thus emerges as critical for genuinely ethics-driven E&C programs that focus on the impact of business activities on a broad set of stakeholders, provide a sound ethical framework to guide decisions, and integrate ethics into the core of the business. E&C programs with a narrow legalistic approach, primarily valued to protect senior management and maintain a corporate defense or an external legitimacy strategy, may become cosmetic and loosely coupled with the company's routine work activities. As a result, the expectations of ethical behavior expressed through formal E&C initiatives may be violated and not fully integrated into decision-making processes. The decision to implement E&C programs thus also becomes a

maturity process that requires, among other things, moving beyond purely instrumental and strategic approaches to E&C practices.

Only more mature levels of moral reasoning can change the motivational dynamics for implementing these practices so that E&C programs can be valued as genuinely integrating ethics into business practices, not simply as a means of avoiding penalties or gaining competitive advantage, which undoubtedly reflects a basic level of moral maturity. A new business paradigm's heightened sense of moral and social responsibility requires a higher level of moral thinking that contributes to top management's moral valuing of E&C programs and, thus, to their intentional authenticity and commitment. Genuine E&C programs require competent and morally mature organizational leaders.

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## CONCLUSION



This last section synthesizes the overall contributions, delineates the research limitations, outlines potential avenues for future research, and makes recommendations for practitioners (ECOs).

Beyond their legal and corporate defense implications, E&C programs have become a standard corporate governance mechanism for creating and maintaining an organizational culture that instills ethical and law-abiding behavior in employees (included leadership positions). Moreover, by institutionalizing ethics and fostering ethical behavior within the organization, these corporate practices can help companies build socially responsible and sustainable businesses by walking their moral talk and, as a result, positively impacting society.

It is worth noting that establishing formal E&C programs (formal policies and procedures) should be considered a powerful means to progress toward the company's telos, which, within a new business paradigm, should necessarily be intertwined with a responsible and ethical way of doing business. The internal value of E&C programs precisely relies on their capacity to contribute to responsible business. Therefore, achieving the legitimizing adherence of organizational insiders to corporate E&C programs leads to improvements in organizational management and fulfilling the company's role in society that goes far beyond maximizing economic profit.

This dissertation aimed to overcome a narrow legalistic approach to E&C programs and identify the critical factors companies should focus on to ensure their effectiveness in nurturing ethical and law-abiding behavior, particularly in a changing business paradigm. It consisted of three core studies: (1) an integrative review of the business ethics and management literature on E&C programs, (2) a qualitative empirical study of the barriers to E&C programs' internal legitimacy based on semi-structured in-depth interviews with 20 ECOs, and (3) a theoretical study built upon Kohlberg's six stages of moral development on how top managers moral thinking may shape their moral valuing of these corporate practices and be reflected onto the E&C practices' features and characteristics.

## 1. Theoretical contributions

The overall contribution to the literature on E&C programs is fivefold: (1) provide an up-to-date, holistic model of E&C programs based on three dimensions (the *why*, the *how*, and the *what*) that together provide a comprehensive explanation of how they work in a way that has not been envisioned before; (2) advance the literature on E&C programs by using the lens of legitimacy-as-judgment theory to identify the barriers that companies face in obtaining positive employee evaluations of these practices; (3) present a theoretical model based on Kohlberg's moral development theory to explain how different levels of moral reasoning facilitate top managers' valuing the implementation of E&C programs; (4) present four archetypes of E&C programs that provide a more nuanced approach to the traditional compliance-values continuum; and (5) highlight the human component of E&C program effectiveness and provide insights into the need for a more person-centered management approach by incorporating the lenses of humanistic management.

First, the literature review in Chapter 1 contributes to delineating a contemporary theoretical model to explain E&C programs. Although earlier proposed models have already focused on the relationship between the E&C program's components (explicit and implicit), the behavior of managers and employees, and the implications for the organization and stakeholders (Kaptein, 2010; Majluf & Navarrete, 2011), our model broadens this perspective. It does so by conceptualizing E&C programs within a changing business paradigm along three key dimensions not previously used in the literature to explain E&C programs and by introducing their causes and motivations as a critical consideration. The proposed dimensions are (1) why top management decides to implement and support an E&C program, (2) how these intentions and commitments are shaped and formally or implicitly expressed, and (3) what are the outcomes for employees, the firm, and society that might allow for assessing effectiveness. Moreover, the proposed outcomes at the employee level go beyond the impact on ethical behavior. It emphasizes the critical role of how employees perceive the legitimacy of the E&C program. This topic has played a secondary role in the E&C management literature (Treviño et al., 2014), and it emerges as a critical outcome that organizations should

pursue for E&C practices to be successful. As such, it deserves greater attention and further study. Therefore, our model contributes to a more nuanced understanding of how intentions, formal and informal development, and outcomes are profoundly interrelated and may (or may not) contribute to the successful operation and fulfillment of the E&C program. It provides a comprehensive and holistic perspective that contributes to a better understanding of how these corporate practices work and what factors are critical for their effectiveness, particularly considering a new business narrative.

Second, Chapter 2, based on a qualitative-interpretative study built upon in-depth interviews with 20 ECOs, introduces the concept of *barriers to the internal legitimacy of E&C programs* as a new construct not previously used in the E&C management literature to provide a more nuanced explanation of E&C practices lack of robustness and effectiveness. We define these barriers as any factor that may prevent (or at least make more difficult) employees from making favorable legitimacy evaluations about E&C practices (including the role of the ECO) from an instrumental, relational, or moral perspective. By exploring the professional experiences of ECOs, this dissertation focuses only on the barriers attributable to the organization itself. We found that these barriers are sourced at three levels: (1) the *person-level*, which includes both personal characteristics of ECOs and employees; (2) the *structure-level*, which refers to the E&C practices as such; and (3) the *internal situational context-level*. Then, it proposes a theoretical model to explain how they may relate to organization insiders' unfavorable evaluations of the propriety and validity of corporate E&C programs and, thus, to their internal illegitimacy.

Third, the theoretical model presented in Chapter 3 extends the application of Kohlberg's cognitive moral development stages to management to show how top managers might place a moral value on E&C programs, contributing to their genuine commitment. Therefore, it offers a promising framework for explaining how different levels of moral thinking facilitate the moral criterion that shapes top managers' valuing of these corporate practices and, thus, how the intentions at the top are shaped and directed. It also introduces a new construct, the moral valuing (or valuation) of E&C

programs, defined as using moral reasoning to place value on these practices. It contributes to the business ethics and management literature by deepening the understanding of how top managers' tone and intentions toward E&C programs might vary along a moral maturity continuum, thereby exploring how their intentional integrity develops. It also illustrates how top management's concern for external pressures may transform into genuine self-guiding values and principles through a moral maturity process. Moreover, by relying on top managers' moral thinking stages, we contribute to bringing morality back into the organizational and institutionalization process and understanding the critical role of ethics and top managers' moral agency in firms.

Fourth, Chapter 3 also focuses on how each mode of moral valuing is projected onto the E&C programs' design and practical implementation. As a result, it introduces four archetypes of E&C programs: (1) legal defense, (2) external legitimacy-seeking, (3) legal compliance-oriented, and (4) ethics-driven. These archetypes offer a more nuanced typification of these corporate practices, moving beyond the well-known *compliance-based* and ethics or *integrity-based* continuum. They are built upon a moral-based framework directly connected with the top management's moral valuing proposed model. Thus, they allow a more comprehensive perspective of why top managers may pursue implementing these corporate practices in their companies beyond purely instrumental or legalistic approaches, leading to genuinely ethics-driven E&C programs, and why their orientations may differ across organizations.

Finally, this dissertation sheds light on the human component of E&C programs' effectiveness, particularly in light of the critical role that employees' moral and relational legitimacy judgments and top management's moral thinking play. This perspective encourages a paradigm shift in how these corporate practices are implemented, oriented, and developed, which is essential to advancing current literature on the topic. More specifically, Chapter 2 suggests that a traditional orientation of formal E&C control practices toward a sanctions-based and command-and-control approach and too many bureaucratic E&C processes may inhibit employees' favorable relational and moral judgment. That is important, particularly considering a business narrative based on, amongst others, the idea that human beings are more complex than being only driven



by self-interest calculations (so relational and moral concerns are also significant) and an ultimate purpose of E&C programs based on promoting an ethical culture that fosters ethical and law-abiding behavior. Therefore, attaining employees' favorable evaluations of these corporate practices may require transforming the traditional way of managing E&C into a more person-centered approach in which employees are considered in their whole dimension as persons and are treated with respect and dignity, encouraged and helped to reach their full potential, and enabled to fully visualize and understand the contributions of E&C practices to the common good, thereby increasing their intrinsic motivation to comply (complying because they "want to" not because they "have to"). Moreover, transforming E&C management into more humanistic-oriented practices requires top management to heighten moral maturity, as explained in Chapter 3, so they may genuinely practice the values of nurturing care, love, and protecting the human dignity that a humanistic approach requires.

## **2. Practical contributions**

This section summarizes the most important contributions to professional practice that this dissertation makes, bridging the gap between academic knowledge and corporate praxis. It is worth noting that this dissertation also contributes to visualizing the critical role ECOs play in institutionalizing ethics in business and, most importantly, increasing their sense of doing meaningful work that ultimately contributes to the common good (both at the organizational and societal levels).

The practical contributions of this dissertation are (1) offering conceptual tools to guide practitioners in building effective E&C programs and diagnosing the type of commitment at the top, (2) providing insights to improve corporate E&C programs' by introducing a person-centered approach to E&C management, (3) shedding light on the crucial role ethics education plays both in business administration programs and ECOs and employees in-house training, and (4) suggesting public policymakers and other external institutions, such as industry associations, consider how they can transform external pressures into genuine ethical commitment and support to corporate integrity.

First, the conceptual tool presented in Chapter 1, when further operationalized, can benefit E&C professionals by providing a deeper understanding of the theoretical framework in which E&C programs are developed, highlighting the critical role "the why" of these corporate practices play. "Starting with why"<sup>5</sup> could be an excellent employee engagement and commitment strategy, enabling employees to make full sense of E&C programs and understand their contributions beyond corporate defense implications. Moreover, the conceptual tool outlines what is needed for their successful implementation, particularly considering aligning to a new business paradigm. For instance, it would be necessary to have an appropriate balance between establishing a command-and-control approach to behavioral control, instilling self-regulation through values-based approaches, and being careful with excessive bureaucracy. In this sense, the moral development of top management and the employees' evaluations of the legitimacy of E&C practices emerge as critical factors that companies should focus on. The first factor emerges as a crucial component of the true intentionality and alignment of E&C practices with corporate integrity. The second factor is the cornerstone of a positive impact (and thus of a successful and effective E&C program) at the individual, organizational, and societal levels. In addition, companies need to be careful in adequately walking their E&C talk, emphasizing the responsibility and commitment required to provide a social context in which E&C makes sense to employees. Therefore, our contribution can stimulate reflection and debate within companies on the moral sophistication of their E&C practices and genuine commitment to the sustainability movement, thereby increasing awareness of the profound influence that top management's moral thinking and commitment to ethics can have to prevent "paper compliance."

On the other hand, the moral valuing model proposed in Chapter 3 could guide ECOs in diagnosing and being aware of top management's current level of moral maturity regarding E&C programs through their work interactions with board or executive

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<sup>5</sup> "Starting with Why" is the title of a book by Simon Sinek. It focuses on the idea that purpose contributes to a sense of fulfillment in people's work. A famous quote from the book is: "People don't buy what you do; they buy why you do it."

committee members. It thus may help ECOs to identify where to focus on increasing top managers' moral awareness and contribution to their genuine commitment to ethics and, therefore, their intentional integrity. It could also help ECOs determine how to adapt their speech to top management's moral thinking levels and find the strategy to help them better see and comprehend the intrinsic value of E&C practices. In addition, top managers seeking to enhance ethical development in their organizations through E&C practices may also find the four E&C archetypes proposed helpful for guidance and, most importantly, reflection.

Second, Chapter 2 sheds light on the human component of E&C practices, in which employees' relational and moral judgments play a crucial role. It offers an opportunity to reflect on a new approach to E&C management based on the idea that companies are a community of persons with a purpose-oriented toward a common good and that should be treated with justice and benevolence, and in which stakeholders are considered "relation-holders" and not treated purely instrumentally (Melé, 2024). These ideas conform to the concept of a humanistic-person-centered company (Melé, 2024) that can be envisioned as entirely consistent with a new narrative of business that considers companies as human institutions that manage for stakeholders. A new business narrative changes the unit of analysis from shareholders to the set of interdependent stakeholders' relationships (Freeman, 2017). Each stakeholder becomes a means and an end, contributing to collective flourishing and also benefiting from the business system. A value network (a concept that includes the importance of shared purpose and values) is thus created, contributing to a broader and holistic business perspective (Freeman, Phillips, & Sisodia, 2020). E&C practices should, therefore, overcome a traditional coercive and command-and-control approach and consider a more person-centered approach. This alternative approach contributes to employees' well-being and sense of meaningful work and protects and creates value for a wide range of stakeholders. Organizational leaders who commit to a new business paradigm should view E&C programs through the prism of human dignity and the complexity of the concept of "person," including moral and relational aspirations. Humanistic management thus offers a promising framework to transform E&C programs into a more

person-centered set of corporate practices, positively impacting employees by fostering their dignity and promoting well-being and flourishing.

Third, given managers' critical role in instilling higher moral reasoning in business contexts, educational institutions should be concerned about how moral education and awareness occur. Ethics education is crucial in undergraduate and postgraduate business programs. These studies can predispose future generations of business leaders to integrate moral considerations and contribute to their ethical commitment and moral valuing of managing ethics in organizations, visualizing how E&C programs can contribute to a new business narrative. Moreover, through the lens of previous research findings (Remišová et al., 2019), ethical competencies and skills acquired during university studies should be systematically supported and considered a priority. To transform traditional business approaches into a new paradigm that embraces concern for society and the environment, where purpose and values matter, and ethics is genuinely considered a critical ingredient for success, the content of undergraduate business programs needs to change. For example, they should introduce moral reasoning, not just cost-benefit analysis, as a critical tool for future leaders, as a new business narrative requires moral reasoning to be projected onto business decisions and practices. In addition, E&C training and education programs for ECOs (professional or postgraduate programs) and employees (in-company training) emerge as another critical aspect of the effectiveness of E&C programs. It is necessary to go beyond purely technical and managerial knowledge so that ECOs can fully develop their interpersonal and ethical skills. Moreover, ethics awareness-focused training can help employees make sense of and understand what E&C practices are for and how they add value.

Finally, although not explicitly addressed in the dissertation, there are other critical aspects of the implementation and effectiveness of E&C programs, such as how the legal and regulatory environment (and other external institutional constituents, such as industry or professional associations) might enhance the ethical intentionality and commitment of top management in approaching the implementation of these corporate practices. For example, policymakers, such as regulators or legislators, should consider the extent to which just increasing regulation actually improves and raises awareness of

the intrinsic value of E&C programs. In addition, E&C professional associations should take a more proactive role in moving beyond the implications of regulatory compliance and legal defense to focus on how E&C practices can contribute to the socially responsible and sustainable business that a new business narrative demands. Introducing the words ethics or integrity in their denominations might help overcome a legalistic and corporate defense approach and move beyond pure compliance.

### **3. Societal contributions**

By finding ways to improve the effectiveness of E&C programs, this dissertation contributes to society in several ways, including (1) fighting corruption and achieving other SDG milestones, (2) meeting stakeholders' legitimate expectations, such as protecting them from harm, and (3) ultimately contributing to the common good.

First, companies' effective ethics and legal compliance management can contribute to socially responsible business conduct and sustainability. Fighting corruption (and other criminal behavior), upholding human rights, or complying with environmental standards are examples of how E&C practices can help achieve SDG milestones.

Second, effective E&C programs make it easier for companies to adequately address stakeholders' legitimate expectations. Based on ISO 37301:2021 on compliance management systems, organizations must consider stakeholder needs and expectations to identify compliance obligations. Thus, it is necessary to develop processes to meet these expectations, shifting from a self-centered to an other-centered approach to risk management. In this way, this dissertation emphasizes the moral responsibility of firms for their actions and their impact on others, which is consistent with Freeman's (2017) new business paradigm. It thus provides a framework in which ethical considerations become integral to E&C risk assessments, going beyond legal requirements to assess how business decisions affect stakeholders. The E&C program thus reflects management's view of stakeholders as relationships rather than instruments, contributing to socially responsible business practices.

Finally, as concluded in Chapter 1, E&C programs can be seen as corporate tools for companies to contribute to the common good. The common good is a concept that

includes "everything that can contribute to authentic human flourishing" (Melé, 2009, p. 85) and is constituted under four critical aspects: sociocultural values, organizational conditions, economic conditions, and environmental conditions (Melé, 2019). Therefore, E&C programs can serve to (1) provide employees with a heightened awareness of the importance of ethical values in their work activities, leading to more outstanding commitment and improved ethical decision-making and behavior, ultimately contributing to a sense of meaningful work (sense of purpose); (2) establish controls to prevent corruption, other criminal activities and fully adhere to ethical standards such as protecting human rights; (3) provide mechanisms for organizational justice; (4) enable improved financial performance that can support human growth (employees can receive their salaries or suppliers can provide their services); and (5) contribute to compliance with environmental standards that enable the preservation of suitable habitats for future generations.

#### **4. Limitations and opportunities for research**

The dissertation has three main overall limitations arising from its core studies. The first limitation arises from the restrictive search criteria used to review the literature, which aimed to narrow the topic by identifying articles directly related to corporate E&C programs and their general features and characteristics, excluding those articles related to corporate social responsibility or very specific technical issues, industries or contexts. It also excluded topics about corporate defense or legal liabilities. As a result, this study's findings can only contribute to a general contemporary overview of existing knowledge, limiting the depth of understanding of the cause-and-effect relationships between the various elements or the relationship between the characteristics of these programs and the multiple outcomes proposed at the micro, meso, and macro levels.

The second limitation, stemming from the qualitative-interpretive nature of the second study, opens up avenues for future research. While a qualitative approach does not allow us to infer cause-and-effect relationships, it does enable us to identify and explore the critical factors that may negatively influence employees' perceptions of the appropriateness or desirability of E&C programs. The proposed theoretical model,

contextualized in a specific setting (Spain-based companies), paves the way for further studies to investigate how different cultural settings might influence ECOs' experiences and perceptions. A significant limitation relates to the wide-open approach of the sample, which hinders the opportunity to specifically reflect and delve into barriers that might be industry-specific (banking, pharma, manufacturing, etc.). It is also important to note that this study focuses only on internal barriers, leaving room for future research to consider external factors, such as regulatory frameworks or stakeholder demands, that may influence employees' evaluations of the legitimacy of E&C programs.

Moreover, quantitative research is needed to test the proposed barriers model. In addition, future research could identify the barriers that most inhibit favorable legitimacy judgments based on the level of interaction employees have with the E&C function (direct evaluators versus intuiters, following Haack, Pfarrer, and Scherer, 2014). A differentiation between the legitimacy judgments of senior management and regular employees should also be explored.

Third, the theoretical study in Chapter 3 is limited in three ways. First, it focuses only on the highest level of responsibility for directing and controlling the firm and how its moral outlook influences the characteristics of E&C programs. The moral outlook of top management is a relevant factor that needs to be studied. Still, it is not the only factor contributing to the effective implementation of E&C programs. The role of middle management is also critical, as in most cases, they are the ones who communicate the tone and intentions of top management to the rank-and-file employees. They can become a crucial barrier to effectively integrating E&C programs into business operations if they do not have the right tone and moral conviction. Second, our focus is on top-down influence within the organization. Therefore, our model does not answer how a bottom-up process can also occur and influence the direction and design of specific corporate initiatives. This could be addressed in another study. Finally, the theoretical model focuses only on the cognitive process that influences decisions and behaviors within a business context. It does not consider how situational (e.g., size, industry, or jurisdiction) or other individual factors (e.g., age, gender, or academic background) may also influence the intentionality behind adopting or supporting these business practices.

In addition, humanistic management-based research to improve E&C programs would enhance their effectiveness in cultivating an ethical organizational environment and promoting socially responsible and sustainable behavior (ISO, 2021). Future research could examine the barriers to the internal legitimacy of E&C programs through the lens of humanistic management theory. By extracting its central tenets (human dignity, people's well-being, and organizational practices oriented toward the common good), it could reframe E&C practices (especially their behavioral control dimension) to overcome the current obstacles that may limit employees' full support and most importantly, their commitment and sense of purpose beyond the avoidance of punishment and sanctions. This research could provide a theoretical framework on how E&C practices can be substantially improved and generate responsible and ethical business through a person-centered orientation inspired by a more humanistic approach. It would contribute to the existing literature on humanistic management and expand the possibilities for value creation through human flourishing within the organization and society. In addition, future research should consider the tenets of the self-determination theory (Ryan & Deci), which posits that humans have an inherent motivation to flourish when their basic psychological needs for autonomy, competence, and relatedness are met.

Finally, introducing new technologies such as Generative AI (GenAI) requires a deeper understanding of their potential impact on the E&C function. While it offers promising tools to support ECOs, we must also consider the implications for the internal legitimacy of E&C programs. Specifically, we need to explore whether this technology shapes employees' perceptions and evaluations of the legitimacy of E&C practices. In doing so, it would be interesting to explore why and how.

## **5. Recommendation for practitioners (ECOs)**

The Ph.D. candidate's previous experience as a compliance officer in the financial industry and a local government-owned company deeply motivated this dissertation. As such, it is guided by a strong desire to improve professional practice. Therefore, this final section aims to provide some practical recommendations for ECOs to enhance E&C



practices and align them with a new "story of business" (Freeman, 2017) that puts persons at the center in the most total sense of this word.

This dissertation offers a triple-focus approach to the effectiveness of E&C programs: A focus on (1) persons, (2) E&C practices' design and scope, and (3) the organizational internal context. Effectiveness is here understood as the successful contribution of the E&C program to an ethical culture and achieving ethical and law-abiding behaviors (including managers), ultimately contributing to the common good. Considering this triple-focus approach leads to the following practical tips for E&C practitioners:

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#### (1) Persons

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How employees evaluate the corporate E&C practices (including the ECO) is critical to their endorsement and, thus, effectiveness. Positive instrumental evaluations are important, but relational and moral evaluations may have a more significant impact, particularly in companies genuinely trying to create an ethical culture and climate and gain employee commitment and support. People's motivations go beyond achieving status or making money. They can also be moved by giving (not just receiving), a sense of purpose, and undertaking meaningful work. They pursue internal goods and not just external ones.

Therefore, ECOs should focus on developing interpersonal skills and sound ethical leadership, as well as acquiring technical knowledge and management skills. This is critical to building trusting relationships with employees. ECOs should also actively seek and use every opportunity for direct, face-to-face interaction with employees. Most importantly, they should involve employees in the design and development of E&C policies and procedures (such as the code of ethics) so that they can become personally involved. In this way, ECOs help affirm employees' social identity and self-worth and ensure that their legitimate concerns and interests are genuinely considered. In particular, when developing the code of ethics, ECOs should pay attention to the values on which the company focuses and ensure that the company's values statement is not perceived as an intrusion into employees' private lives and freedom of thought. Involving

employees in the values discussion is critical. Applying these recommendations will reduce the risk of employee negative backlash.

Finally, it is essential to increase employees' awareness and knowledge of the ethical dimension of business activities (ethical risks) and the role and scope of the E&C function. Starting with a "why" that goes beyond corporate defense and legal compliance approaches can increase employees' internal motivation and create a sense of purpose in the various, sometimes perceived as bureaucratic and tedious, E&C tasks and requirements.

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## (2) E&C practices design and implementation

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ECOs should be sensitive to the need for their companies to adopt an appropriate balance between instilling values-based self-regulation and sanction-based command-and-control approaches to behavioral control. Research broadly points to the positive impact of a values-based approach on employee commitment and voluntary compliance with E&C practices.

They should also be careful to recognize where excessive bureaucracy hurts employee buy-in. Too many bureaucratic processes can cause employees to focus only on how the E&C program prevents them from achieving business goals and doing their jobs in the short term. This distracts employees from focusing on how these policies help prevent the company (and themselves) from engaging in wrongdoing and adequately protect key stakeholders from harm caused by the company's activities. Bureaucracy can also make day-to-day work more difficult, stifle creativity, foster dissatisfaction and demotivate employees, and even lead to hostility or even anger among employees, especially if it is seen as a waste of time because it is not tailored to the organization's actual risk environment. A risk-based approach to policy design and the knowledge and expertise of E&C practitioners are critical. However, as stated above, employees should be involved in the design of E&C policies so that they can make these policies their own. In this way, they will feel fully considered and better understand what these practices are for.

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### (3) Organizational internal context

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First, ECOs need to be critically aware of their companies' approach to business (their actual business narratives). Companies need to provide a social context in which corporate E&C practices make sense to employees and ECOS must offer plausible explanations for these E&C practices consistent with larger belief systems and what is done in reality. Cultivating moral awareness, promoting ethical behavior, and attempting to provide plausible explanations for E&C programs beyond mere corporate defense strategies where the company does not walk its moral walk (or even has a moral talk) does more harm than good. When companies do not lead by example, employees may perceive a lack of coherence and hypocrisy on the company's part. Any effort to build a corporate culture where ethics matters and becomes a critical component of business success will fail in companies driven by a traditional economic paradigm. Therefore, being fully aware of how the company is or is not truly aligned with a new way of understanding business will help ECOs redirect their efforts and identify where to start working. In the worst-case scenario, the ECO will have to seriously consider his or her continuity in a company where management does not take business ethics seriously and implements E&C practices that are only aimed at protecting the company from blame. This approach differs from what most recent international standards (ISO, 2021) stand for.

Directly related to the above, ECOs should also pay critical attention to the motivational dynamics when top managers promote and encourage implementing E&C programs and how this might be projected onto E&C practices. Using the proposed model of top management's moral valuing as a reference could help ECOs identify the moral maturity of their organizational leaders and, therefore, the actual tone at the top.

Finally, ECOs should be fully aware of other critical aspects of the organization's internal situational context, such as existing incentives and remuneration plans, which may inhibit favorable instrumental evaluations of E&C practices (if they focus solely on quantitative sales goals). ECOs should also be sensitive to the level of work that

employees support daily and consider this when designing and implementing new E&C practices.



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**Appendix 1. Articles resulting from the semi-systematic search**

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2024	Cabana, GC; Kaptein, M	Team ethical culture as a coupling mechanism between a well-implemented organizational ethics program and the prevention of unethical behavior in teams	BUSINESS ETHICS THE ENVIRONMENT & RESPONSIBILITY	Empirical (quant.)	E&C programs' features and components
2023	Seifert, SG; LaMothe, EG; Schmitt, DB	Perceptions of the Ethical Infrastructure, Professional Autonomy, and Ethical Judgments in Accounting Work Environments	JOURNAL OF BUSINESS ETHICS	Empirical (quant.)	E&C programs' features and components  Outcomes: Employees perceptions, attitudes, and behavior
2022	Lasáková, A; Remisová, A; Abratzky, DV	Ethics programs in business and management literature: Bibliometric analysis of performance, content, and trends	ETHICS & BIOETHICS	Bibliometric analysis	N/A
2022	Hauser, C	Trade-Control Compliance in SMEs: Do Decision-Makers and Supply Chain Position Make a Difference?	JOURNAL OF BUSINESS ETHICS	Empirical (quant.)	Causes and motivations

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2022	Jannat, T; Alam, SS; Ho, YH; Omar, NA; Lin, CY	Can Corporate Ethics Programs Reduce Unethical Behavior? Threat Appraisal or Coping Appraisal	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Outcomes: Employees perceptions, attitudes, and behavior
2021	Hess, D	The Management and Oversight of Human Rights Due Diligence	AMERICAN BUSINESS LAW JOURNAL	Theoretical	Outcomes: Societal impact
2021 <b>ADDED</b>	Hoekstra, A; Kaptein, M	The Integrity of Integrity Programs: Toward a Normative Framework	PUBLIC INTEGRITY	Theoretical	Causes and Motivations  E&C programs' features and components
2021	Green, J	Closing the Accountability Gap in Corporate Supply Chains for Violations of the Trafficking Victims Protection Act	BUSINESS AND HUMAN RIGHTS JOURNAL	Theoretical	Outcomes: Societal impact
2021	Ibañez, JC; Fernández, JLF	Ethical infrastructure on small and medium enterprises: Actionable items to influence the perceived importance of ethics	BUSINESS AND SOCIETY REVIEW	Empirical (quanti.)	E&C programs' features and components

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2021	Hogenbirk, S; van Dun, DH	Innovative ethics officers as drivers of effective ethics programs: An empirical study in the Netherlands	BUSINESS ETHICS THE ENVIRONMENT & RESPONSIBILITY	Empirical (quanti.)	E&C programs' features and components  Outcomes: Employees perceptions, attitudes and
2020	Chui, C; Grieder, M	The Effects of Investigative Sanctioning Systems on Wrongdoing, Reporting, and Helping: A Multiparty Perspective	ORGANIZATION SCIENCE	Empirical (quanti.)	Outcomes: Employees perceptions, attitudes and behavior
2020	Christina, A.; Fort, TL.	Finding the fit: Why compliance and ethics programs should seek to match individual and corporate values	BUSINESS HORIZONS	Empirical (quanti.)	E&C programs' features and components
2020	Roque, A; Moreira, JM; Figueiredo, JD; Albuquerque, R; Gonçalves, H	Ethics beyond leadership: can ethics survive bad leadership?	JOURNAL OF GLOBAL RESPONSIBILITY	Empirical (qualitative)	Outcomes: The organization
2020	Yagmur, A	The Moderating Role of Ethics Program Follow-Through on the Effects of Ethical Leadership over Ethical Behavior and Ethical Climate	TURKISH JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Outcomes: Employees perceptions, attitudes and behavior

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2019	Valentine, SR; Hanson, SK; Fleischman, GM	The Presence of Ethics Codes and Employees' Internal Locus of Control, Social Aversion/Malevolence, and Ethical Judgment of Incivility: A Study of Smaller Organizations	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Outcomes: Employees perceptions, attitudes and behavior
2019	Healy, P; Serafeim, G	How to Scandal-Proof Your Company A rigorous compliance system is not enough.	HARVARD BUSINESS REVIEW	Empirical (qualitative)	E&C programs' features and components
2019	Ullah, S; Ahmad, S; Akbar, S; Kodwani, D	International Evidence on the Determinants of Organizational Ethical Vulnerability	BRITISH JOURNAL OF MANAGEMENT	Empirical (quanti.)	Outcomes. The organization
2019	Constandt, B; De Waegeneer, E; Willem, A	Ethical Code Effectiveness in Football Clubs: A Longitudinal Analysis	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	E&C programs' features and components
2019 <b>ADDED</b>	Remišová, A., Lašáková, A., & Kirchmayer, Z. (2019)	Influence of formal ethics program components on managerial ethical behavior	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	Outcomes: Employees perceptions, attitudes and behavior

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2018	Salbu, SR	Mitigating the Harshness of FCPA Enforcement Through a Qualifying Good-Faith Compliance Defense	AMERICAN BUSINESS LAW JOURNAL	Theoretical	Outcomes: The organization
2018 <b>ADDED</b>	Motherway, D; Pazzaglia, F; Sonpar, K.	Failures in Regulator-Led Deinstitutionalization of Questionable Business Practices	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	Causes and motivations
2018	Bu, QX	The Culture Variable Vis-a-Vis Anti-bribery Law: A Grey Area in Transnational Corporate Criminal Liability	EUROPEAN BUSINESS ORGANIZATION LAW REVIEW	Theoretical	E&C programs' features and components
2018	Chen, H; Soltes, E	Why Compliance Programs Fail And how to fix them	HARVARD BUSINESS REVIEW	Theoretical	E&C programs' features and components
2018 <b>ADDED</b>	Aluchna, M; Rok, B	Sustainable Business Models: The Case of the Collaborative Economy	SUSTAINABLE BUSINESS MODELS: PRINCIPLES, PROMISE, AND PRACTICE	Empirical (qualitative)	Outcomes: Societal impact

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2018	Busse, R; Doganer, U.	The role of compliance for organisational change: Qualitative evidence from German SMEs	JOURNAL OF ORGANIZATIONAL CHANGE MANAGEMENT	Empirical (qualitative)	Outcomes: Employees perceptions, attitudes and behavior  Outcomes: The organization
2017	Haugh, T.	The Trouble with Corporate Compliance Programs	MIT SLOAN MANAGEMENT REVIEW	Literature Review	E&C programs' features and components
2017	Martineau, J.T.; Johnson, K. J.; Pauchant, T.C.	The Pluralist Theory of Ethics Programs Orientations and Ideologies: An Empirical Study Anchored in Requisite Variety	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Causes and motivations  E&C programs' features and components
2017	Hofeditz, M; Nienaber, AM; Dysvik, A; Schewe, G	Want to Versus Have to: Intrinsic and Extrinsic Motivators as Predictors of Compliance Behavior Intention	HUMAN RESOURCE MANAGEMENT	Empirical (quanti.)	E&C programs' features and components  Outcomes: Employees perceptions, attitudes and behavior
2016 <b>ADDED</b>	Adelstein, J.; Clegg, S.	Code of Ethics: A Stratified Vehicle for Compliance	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	E&C programs' features and components

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2015	Eisenbeiss, SA; van Knippenberg, D; Fahrbach, CM	Doing Well by Doing Good? Analyzing the Relationship Between CEO Ethical Leadership and Firm	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	E&C programs' features and components
2015	Kaptein, M.	The Effectiveness of Ethics Programs: The Role of Scope, Composition, and Sequence	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	E&C programs' features and components  Outcomes: Employees perceptions, attitudes and behavior
2015 <b>ADDED</b>	MacLean, TL, Litzky, B.E, Holderness, D., Kip. Jr.	When Organizations Don't Walk Their Talk: A Cross-Level Examination of How Decoupling Formal Ethics Programs Affects Organizational Members	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	E&C programs' features and components  Outcomes: Employees perceptions, attitudes and behavior
2015 <b>ADDED</b>	May, DR; Chang, YK; Shao, RD	Does Ethical Membership Matter? Moral Identification and Its Organizational Implications	JOURNAL OF APPLIED PSYCHOLOGY	Empirical (quanti.)	E&C programs' features and components  Outcomes: Employees perceptions, attitudes and behavior
2015 <b>ADDED</b>	Ruiz, P; Martinez, R; Rodrigo, J; Diaz, C	Level of Coherence Among Ethics Program Components and Its Impact on Ethical Intent	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Outcomes: Employees perceptions, attitudes and behavior



YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2014	Martin, SR; Kish-Gephart, JJ; Detert, JR	Blind forces: Ethical infrastructures and moral disengagement in organizations	ORGANIZATIONAL PSYCHOLOGY REVIEW	Literature Review	Outcomes: Employees perceptions, attitudes and behavior
2014	Trevino, LK; den Nieuwenboer, NA; Kreiner, GE; Bishop, DG	Legitimizing the legitimate: A grounded theory study of legitimacy work among Ethics and Compliance Officers	ORGANIZATIONAL BEHAVIOR AND HUMAN DECISION PROCESSES	Empirical (qualitative)	E&C programs' features and components
2014	Vasiljeviene, N	Development of pro-eco activities: possible malfunctions and searching integrity for responsible business performance	TRANSFORMATIONS IN BUSINESS & ECONOMICS	Theoretical	Outcomes: The Organization
2014	Warren, DE; Gaspar, JP; Laufer, WS	Is Formal Ethics Training Merely Cosmetic? A Study of Ethics Training and Ethical Organizational Culture	BUSINESS ETHICS QUARTERLY	Empirical (quanti.)	E&C programs' features and components
2013 <b>ADDED</b>	Stucke, M.E.	In search of effective ethics & compliance programs	THE JOURNAL OF CORPORATION LAW	Theoretical	Causes and Motivations  E&C programs' features and components

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2013	Weber, J; Wasieleski, D. M.	Corporate Ethics and Compliance Programs: A Report, Analysis and Critique	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Causes and motivations  Outcomes: Employees perceptions, attitudes and behavior
2013	Schwartz, MS	Developing and sustaining an ethical corporate culture: The core elements	BUSINESS HORIZONS	Theoretical	E&C programs' features and components
2013	Beeri, I.; Dayan, R.; Vigoda-Gadot, E.; Werner, S.B.	Advancing Ethics in Public Organizations: The Impact of an Ethics Program on Employees' Perceptions and Behaviors in a Regional Council	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Outcomes: Employees perceptions, attitudes and behavior
2011	Singh, JB	Determinants of the Effectiveness of Corporate Codes of Ethics: An Empirical Study	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	E&C programs' features and components  Outcomes: Employees perceptions, attitudes and behavior
2011 <b>ADDED</b>	Kaptein, M.	Understanding unethical behavior by unraveling ethical culture	HUMAN RELATIONS	Empirical (quanti.)	Outcomes: Employees perceptions, attitudes and behavior

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2011	Majluf, N.S.; Navarrete, C.M.	A Two-Component Compliance and Ethics Program Model: An Empirical Application to Chilean Corporations	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	E&C programs' features and components  Outcomes: The organization
2011	Bazerman, MH; Tenbrunsel, AE	Ethical Breakdowns	HARVARD BUSINESS REVIEW	Theoretical	E&C programs' features and components
2011	Helin, S.; Jensen, T.; Sandstrom, J.; Clegg, S.	On the dark side of codes: Domination not enlightenment	SCANDINAVIAN JOURNAL OF MANAGEMENT	Empirical (qualitative)	E&C programs' features and components  Outcomes: Employees perceptions, attitudes and behavior
2011	Rottig, D; Koufteros, X; Umphress, E	Formal Infrastructure and Ethical Decision Making: An Empirical Investigation and Implications for Supply Management	DECISION SCIENCES	Empirical (quanti.)	Outcomes: Employees perceptions, attitudes and behavior

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2010	MacLean, TL; Behnam, M	The dangers of decoupling: the relationship between compliance programs, legitimacy perceptions, and institutionalized misconduct	ACADEMY OF MANAGEMENT JOURNAL	Empirical (qualitative)	Outcomes: Employees perceptions, attitudes and behavior
2010	Kaptein, M.	The Ethics of Organizations: A Longitudinal Study of the US Working Population	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Outcomes: Employees perceptions, attitudes and behavior
2010 <b>ADDED</b>	Short, JL; Toffel, MW	Making Self-Regulation More Than Merely Symbolic: The Critical Role of the Legal Environment	ADMINISTRATIVE SCIENCE QUARTERLY	Empirical (quanti.)	Causes and motivations
2009 <b>ADDED</b>	Calderon-Cuadrado, R; Alvarez-Arce, JL; Rodriguez-Tejedo, I; Salvatierra, S	Ethics Hotlines in Transnational Companies: A Comparative Study	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	E&C programs' features and components
2009	Hemphill, T. A., & Cullari, F.	Corporate Governance Practices: A Proposed Policy Incentive Regime to Facilitate Internal Investigations and Self-Reporting of Criminal Activities.	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	E&C programs' features and components
2009	Duchon, D; Drake, B.	Organizational Narcissism and Virtuous Behavior	JOURNAL OF BUSINESS ETHICS	Theoretical	E&C programs' features and components

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2009	Gabel, J T. A.; Mansfield, Nancy R.; Houghton, Susan, M.	Letter vs. Spirit: The Evolution of Compliance into Ethics	AMERICAN BUSINESS LAW JOURNAL	Theoretical	Causes and motivations
2009	Hess, D.	Catalyzing Corporate Commitment to Combating Corruption	JOURNAL OF BUSINESS ETHICS	Theoretical	Causes and motivations  Outcomes: Societal impact
2009	Vadera, AK; Aguilera, RV; Caza, BB	Making Sense of Whistle-Blowing's Antecedents: Learning from Research on Identity and Ethics Programs	BUSINESS ETHICS QUARTERLY	Literature Review	Outcomes: Employees perceptions, attitudes and behavior
2009	Kaptein, M.	Ethics Programs and Ethical Culture: A Next Step in Unraveling Their Multi-Faceted Relationship	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	E&C programs' features and components
2009	O'Connell, W; Bligh, M.	Emerging from Ethical Scandal: Can Corruption Really Have a Happy Ending?	LEADERSHIP	Empirical (qualitative)	E&C programs' features and components
2009	Stansbury, J.	Reasoned Moral Agreement: Applying Discourse Ethics within Organizations	BUSINESS ETHICS QUARTERLY	Theoretical	E&C programs' features and components

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2009	Wagner-Tsukamoto, S	Consumer Ethics in Japan: An Economic Reconstruction of Moral Agency of Japanese Firms - Qualitative Insights from Grocery/Retail Markets	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	Outcomes: Societal impact
2008	de Colle, S; Werhane, P.H.	Moral motivation across ethical theories: What can we learn for designing corporate ethics programs?	JOURNAL OF BUSINESS ETHICS	Theoretical	E&C programs' features and components
2008	Valentine, S; Fleischman, G	Ethics programs, perceived corporate social responsibility and job satisfaction	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Outcomes: Employees perceptions, attitudes and behavior
2008 <b>ADDED</b>	Webley, S; Werner, A.	Corporate codes of ethics: necessary but not sufficient	BUSINESS ETHICS-A EUROPEAN REVIEW	Empirical (qualitative)	E&C programs' features and components
2007 <b>ADDED</b>	Di Lorenzo, V.	Business ethics: Law as a determinant of business conduct	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	Causes and motivations
2007	Stansbury, J; Barry, B.	Ethics programs and the paradox of control	BUSINESS ETHICS QUARTERLY	Theoretical	E&C programs' features and components

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2006 <b>ADDED</b>	Adobor, H.	Exploring the role performance of corporate ethics officers	JOURNAL OF BUSINESS ETHICS	Theoretical	E&C programs' features and components
2006 <b>ADDED</b>	Brown, M. T.	Corporate integrity and public interest: A relational approach to business ethics and leadership	JOURNAL OF BUSINESS ETHICS	Theoretical	E&C programs' features and components
2006	Michael, M. L.	Business ethics: The law of rules	BUSINESS ETHICS QUARTERLY	Theoretical	Outcomes: Employees perceptions, attitudes and behavior
2006 <b>ADDED</b>	Pelletier, K L.; Bligh, M C.	Rebounding from corruption: Perceptions of ethics program effectiveness in a public sector organization	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Outcomes: Employees perceptions, attitudes and behavior
2006	Resick, C.J; Hanges, P.J; Dickson, M.W; Mitchelson, J. K.	A cross-cultural examination of the endorsement of ethical leadership	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	E&C programs' features and components
2005 <b>ADDED</b>	Arjoon, S.	Corporate governance: An ethical perspective	JOURNAL OF BUSINESS ETHICS	Theoretical	E&C programs' features and components
2005 <b>ADDED</b>	Koehn, D	Integrity as a business asset	JOURNAL OF BUSINESS ETHICS	Theoretical	Outcomes: The organization

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2004 <b>ADDED</b>	Argandoña, A.	On ethical, social and environmental management systems	JOURNAL OF BUSINESS ETHICS	Theoretical	Causes and motivations E&C programs' features and components
2004	Thomas, T; Schermerhorn, JR; Dienhart, JW	Strategic leadership of ethical behavior in business	ACADEMY OF MANAGEMENT EXECUTIVE	Theoretical	E&C programs' features and components
2004	Reynolds, S.J; Bowie, NE	A Kantian perspective on the characteristics of ethics programs	BUSINESS ETHICS QUARTERLY	Theoretical	E&C programs' features and components
2004 <b>ADDED</b>	Waddock, S; Bodwell, C	Managing responsibility: What can be learned from the quality movement?	CALIFORNIA MANAGEMENT REVIEW	Theoretical	E&C programs' features and components
2003 <b>ADDED</b>	Caldwell, C; Clapham, S.E.	Organizational trustworthiness: An international perspective	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Outcomes: The organization
2002	McKendall, M; DeMarr, B; Jones-Rikkens, C	Ethical compliance programs and corporate illegality: Testing the assumptions of the corporate sentencing guidelines	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Outcomes: The organization
2002	Palazzo, B.	U.S.-American and German business ethics: An intercultural comparison	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	E&C programs' features and components



YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
2001	Trevino, L.K; Weaver, G.R.	Organizational justice and ethics program follow-through: Influences on employees' harmful and helpful behavior	BUSINESS ETHICS QUARTERLY	Empirical (quanti.)	Outcomes: Employees perceptions, attitudes and behavior
2001	Weaver, G. R.	Ethics programs in global businesses: Culture's role in managing ethics	JOURNAL OF BUSINESS ETHICS	Theoretical	E&C programs' features and components
2001 <b>ADDED</b>	Gordon, K; Miyake, M	Business approaches to combating bribery: A study of codes of conduct	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	Outcomes: Societal impact
2000	Parker, C	The ethics of advising on regulatory compliance: Autonomy or interdependence?	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	E&C programs' features and components
2000	Bartlett, A; Preston, D	Can ethical behaviour really exist in business	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	E&C programs' features and components
2000 <b>ADDED</b>	McDonald, G	Business ethics: Practical proposals for organisations	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	Causes and motivations E&C programs' features and components
1999	Morf, DA; Schumacher, MG; Vitell, SJ	A survey of ethics officers in large organizations	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	E&C programs' features and components

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
1999	Trevino, L.K; Weaver, G.R; Gibson, D.G; Toffler, B. L.	Managing ethics and legal compliance: What works and what hurts	CALIFORNIA MANAGEMENT REVIEW	Empirical (quanti.)	E&C programs' features and components  Outcomes: Employees perceptions, attitudes and behavior
1999 <b>ADDED</b>	Weaver, GR;Trevino, LK;	Compliance and values-oriented ethics programs: Influences on employees' attitudes and behavior	BUSINESS ETHICS QUARTERLY	Empirical (quanti.)	E&C programs' features and components  Outcomes: Employees perceptions, attitudes and behavior
1999	Weaver, G.R; Trevino, LK; Cochran, P. L.	Integrated and decoupled corporate social performance: Management commitments, external pressures, and corporate ethics practices	ACADEMY OF MANAGEMENT JOURNAL	Empirical (quanti.)	E&C programs' features and components
1999	Weaver, G.R; Trevino, L.K; Cochran, P. L.	Corporate ethics programs as control systems: Influences of executive commitment and environmental factors	ACADEMY OF MANAGEMENT JOURNAL	Empirical (quanti.)	E&C programs' features and components

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
1999	Weaver, GR; Trevino, LK; Cochran, PL	Corporate ethics practices in the mid-1990's: An empirical study of the Fortune 1000	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	E&C programs' features and components
1998	Ferrell, OC; LeClair, DT; Ferrell, L	The federal sentencing guidelines for organizations: A framework for ethical compliance	JOURNAL OF BUSINESS ETHICS	Theoretical	Causes and motivations E&C programs' features and components
1998 <b>ADDED</b>	Pruzan, P.	From control to values-based management and accountability	JOURNAL OF BUSINESS ETHICS	Theoretical	E&C programs' features and components
1998	Ruhnka, J.C; Boerstler, H.	Governmental incentives for corporate self-regulation	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Causes and motivations
1997 <b>ADDED</b>	Jackson, K.T.	Globalizing corporate ethics programs: Perils and prospects	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	E&C programs' features and components
1997	Navran, F	12 steps to building a best-practices ethics program	WORKFORCE	Theoretical	E&C programs' features and components
1997 <b>ADDED</b>	Welch, E.J.	Business ethics in theory and practice: Diagnostic notes.A. A prescription for value	JOURNAL OF BUSINESS ETHICS	Theoretical	E&C programs' features and components

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
1995	Badaracco, J.L; Webb, A.P.	Business ethics - a view from the trenches	CALIFORNIA MANAGEMENT REVIEW	Empirical (qualitative)	Outcomes: Employees perceptions, attitudes and behavior
1995	Soutar, GN; Mcneil, M; Molster, C	A management perspective on business ethics	JOURNAL OF BUSINESS ETHICS	Empirical (quanti.)	Causes and motivations
1994	RAFALKO, RJ	Remaking the corporation - the 1991 united-states sentencing guidelines	JOURNAL OF BUSINESS ETHICS	Theoretical	Causes and motivations
1994	Paine, L. S.	Managing for organizational integrity	HARVARD BUSINESS REVIEW	Empirical (qualitative)	E&C programs' features and components  Outcomes: Organization
1993	Kaplan, J.M; Dakin, L.S; Smolin, M.R.	Living with the organizational sentencing guidelines	CALIFORNIA MANAGEMENT REVIEW	Theoretical	Causes and motivations
1993	Barker, RA	An evaluation of the ethics program at general dynamics	JOURNAL OF BUSINESS ETHICS	Empirical (Mixed methods)	E&C programs' features and components
1993	KURLAND, NB	The defense industry initiative - ethics, self-regulation, and accountability	JOURNAL OF BUSINESS ETHICS	Theoretical	Causes and motivations

YEAR	AUTHOR	TITLE	JOURNAL	METHOD.	RQ'S TOPIC
1992	Brenner, S. N.	Ethics programs and their dimensions	JOURNAL OF BUSINESS ETHICS	Empirical (qualitative)	E&C programs' features and components

## **Appendix 2.** Semi-structured interviews: sample of questions

1. Based on your experience as an E&C Officer, why do you think the companies you have worked for have established an Ethics & Compliance function?
2. What are the most significant barriers you face in carrying out your role so that it is accepted by both senior management and employees?
3. How does senior management see your role? Do you think they see your function as a cost or as an investment? Why? Do you feel valued and accepted by your superiors? Why? And by your peers (at the same hierarchical level)? Why?
4. What reactions do employees have to the policies and procedures that are established? Why?
5. How do employees perceive the Code of Ethics? What reactions have you perceived when the Code of Ethics or a new E&C policy is communicated?
6. Have you ever referred to ethics to justify a compliance measure or decision? How do employees perceive the idea of acting ethically?
7. What worries you? What keeps you or would keep you awake at night concerning your duties as a Compliance Officer?
8. How has the emergence of the pandemic caused by COVID-19 impacted the development of your function?
9. If I want to understand how your function and role are perceived within the organization, what should I have asked that I haven't

Battery additional questions depending on the development of the interview:

10. What makes you feel you have successfully completed your work? Can you describe a situation in which it has happened to you? What worked?
11. Under what circumstances do you think you have not been successful? Can you describe a situation in which it has happened to you? What went wrong?