

Ethics and compliance officers face challenges to their legitimacy, study finds

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Credit: University of Kansas

Legislative changes that were introduced in response to corporate scandals in the 1980s and 1990s, and the many others since, have especially motivated larger companies to create ethics and compliance

officer positions. These officers are usually tasked with insuring employee compliance with ethical values and legal principles.

But the [ethics](#) and compliance officer role is a challenging one, according to research that includes a University of Kansas professor in the School of Business. As exemplified by the recent Volkswagen and Wells Fargo scandals, the mere presence of an ethics and compliance officer within an organization is no guarantee that [unethical behavior](#) will not occur and cause major issues for some of the world's largest companies.

"Society has come to define [business](#) as being rational, profit focused and not very ethics focused," said Niki den Nieuwenboer, assistant professor of [organizational behavior](#) and business ethics. "Ethical values and questions don't always come up and are, for some managers, harder to talk about and more easily ignored."

Den Nieuwenboer's work focuses on management and unethical [behavior](#). She and her co-authors from Pennsylvania State University published a study in the journal *Organizational Behavior and Human Decision Processes* that found ethics and compliance officers reported facing major challenges to the legitimacy of their role within their organizations. The researchers interviewed 40 ethics and compliance officers about their experiences.

The researchers recommended companies facilitate better conditions to help ethics and [compliance](#) officers, known as ECOs, reach legitimacy.

Den Nieuwenboer said a prevailing assumption among business leaders is that "they don't hire crooks," so they don't need to worry that employees might behave unethically.

"It is in a way the default," she said. "We all assume the majority of

people want to be law-abiding citizens. However, ethical lapses can be hard to recognize because they don't look like a guy with a big pile of money running out the door. People need ethical training and guidance to help recognize when they are facing ethical challenges and to learn how to deal with them."

She added that simply because most people know it's wrong to participate in some of the most egregious or overt unethical behavior, that doesn't mean everyone knows how to handle every ethical challenge they might encounter in their field. This can be especially important and complicated for organizations that have clients or suppliers across the globe, as different cultures can have different norms, which do not always cohere with U.S. norms or laws, she said.

Also, in the Volkswagen and Wells Fargo scandals, it appeared damage occurred when employees basically cut corners in sales or engineering development based on pressure to live up to performance standards.

Den Nieuwenboer said the research team also found that the ECOs tend to engage in action they termed "legitimacy work" through a number of tactics to help gain credibility in the eyes of fellow employees.

"For one thing, it's super complicated, because when you're doing a really good job as an ethics officer, it essentially means that nothing happens," Den Nieuwenboer said, "in the sense that the absence of scandal is your success. It can be hard to justify spending money and time in the pursuit of having nothing happen."

ECO's interviewed, for example, mentioned not using "ethics" or the "e-word," she said, instead talking about business principles and practices or integrity as a way to frame their work. Some also report metrics such as number of staff trained per year or number of calls made to the ethics hotline as a way of justifying the resources that are spent on ethics

management and as a way of showing success of the program. But she mentions those measures are ambiguous as well.

"Does a higher number of calls signal success of a program, or does it suggest that there is more unethical behavior going on?" she said.

Den Nieuwenboer said business schools and professors stressing ethics as part of a curriculum could likely help long-term as new professionals move into the field and by default expect ethical behavior to be an emphasis in their corporate jobs.

"As business professors, we could have an influence in this area," she said, "by questioning whether business is just for a profit or if there are certain moral responsibilities that they have as well."

More information: Linda Klebe Treviño et al. Legitimizing the legitimate: A grounded theory study of legitimacy work among Ethics and Compliance Officers, *Organizational Behavior and Human Decision Processes* (2014). [DOI: 10.1016/j.obhdp.2013.10.009](https://doi.org/10.1016/j.obhdp.2013.10.009)

Provided by University of Kansas

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