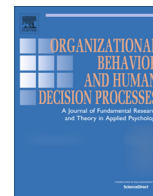




Contents lists available at ScienceDirect

## Organizational Behavior and Human Decision Processes

journal homepage: [www.elsevier.com/locate/obhdp](http://www.elsevier.com/locate/obhdp)

## Legitimizing the legitimate: A grounded theory study of legitimacy work among Ethics and Compliance Officers

Linda Klebe Treviño<sup>a,\*</sup>, Niki A. den Nieuwenboer<sup>b</sup>, Glen E. Kreiner<sup>c</sup>, Derron G. Bishop<sup>d</sup><sup>a</sup> Smeal College of Business, The Pennsylvania State University, 402 Business Building, University Park, PA 16802, United States<sup>b</sup> Leavey School of Business, Santa Clara University, 500 El Camino Real, Santa Clara, CA 95053, United States<sup>c</sup> Smeal College of Business, The Pennsylvania State University, 443 Business Building, University Park, PA 16802, United States<sup>d</sup> Smeal College of Business, The Pennsylvania State University, 416A Business Building, University Park, PA 16802, United States

## ARTICLE INFO

## Article history:

Received 1 September 2012

Accepted 14 October 2013

Accepted by Maureen Ambrose, Scott Reynolds and Marshall Schminke

## Keywords:

Behavioral ethics

Cognitive legitimacy

Compliance officer

Ethics Officer

Ethics programs

Legitimacy

Instrumental legitimacy

Moral legitimacy

Organizational ethics

Relational legitimacy

## ABSTRACT

Organizations have responded to ethical scandals in part by creating the Ethics and Compliance Officer (ECO) role to help insure employee ethical and legal behavior. Because ECO work is so fundamental to behavioral ethics in organizations and we know very little about it, we conducted a grounded theory study to learn more. We learned that, although most ECOs were hired to help their organizations respond to external legitimacy challenges, ECOs face major legitimacy challenges *inside* their organizations. Facilitating conditions may reduce these challenges and help ECOs reach internal legitimacy. But, we also found that ECOs engage in what we term *legitimacy work* that relies on a number of tactics to help them gain legitimacy in the eyes of their constituents. We tie our findings to the broader legitimacy literature and draw implications for the behavioral ethics literature.

© 2013 Elsevier Inc. All rights reserved.

## Introduction

For decades, researchers and the public have become increasingly concerned about organizational misconduct and how organizations and their members get themselves into and, more importantly, stay *out of* trouble. Behavioral ethics researchers have studied a variety of essential organizational context factors that have been shown to contribute to or prevent unethical conduct. Among them are ethical climates (see Martin & Cullen, 2006 and Simha & Cullen, 2012 for reviews), cultures (e.g., Schaubroeck et al., 2012), reward systems (Treviño & Youngblood, 1990) and ethical leadership (see Brown & Treviño, 2006 and Brown & Mitchell, 2010 for reviews). Yet, we know little about the emergence and management of these contextual factors in organizations, nor do we know much about *the* single individual who, in many organizations, plays the most critical role in the management of the organization's ethical context: the Chief Ethics and Compliance Officer (ECO).

\* Corresponding author.

E-mail addresses: [ltrevino@psu.edu](mailto:ltrevino@psu.edu) (L.K. Treviño), [ndennieuwenboer@scu.edu](mailto:ndennieuwenboer@scu.edu) (N.A. den Nieuwenboer), [Glen.Kreiner@psu.edu](mailto:Glen.Kreiner@psu.edu) (G.E. Kreiner), [dgb153@psu.edu](mailto:dgb153@psu.edu) (D.G. Bishop).

In this study, we aim a spotlight on the organizational role whose stated purpose is to ensure that employees and the organization behave legally and ethically—chief Ethics and Compliance Officers (ECOs). ECOs are high-level individuals who are primarily responsible for creating and maintaining organizational environments that aim to produce ethical and law-abiding employees and leaders. They do so by developing and distributing codes of conduct, designing and delivering training programs, developing and managing reporting lines and investigation systems, contributing to the design of performance management systems, and working to create ethical cultures and climates (Ethics Resource Center, 2007; Greenberg, 2009). Patrick Gnazzo, an early Compliance Officer in the field, defines Compliance as “adherence to all the laws, regulations, rules, and policies governing an organization.... If there is a Compliance Officer function, it should be responsible for ensuring that all aspects of those organizational requirements are being managed properly. . .” (Gnazzo, 2011, p. 538). By contrast, Gnazzo defines business ethics as “the establishment of pronounced values and culture for an organization.... An Ethics Officer, as part of an organization, is responsible for ensuring that an organization's values are always part of management's thought process at decision-making time” (Gnazzo, 2011, p. 539). In practice, many, if

not most, practitioners have both Compliance and ethics responsibilities.<sup>1</sup>

Despite ECOs becoming increasingly common, we know relatively little about their experiences and the work they actually do to help organizations create ethical and law abiding employees (Hoffman, Neill, & Stovall, 2008; Adabor, 2006; Llopis, Gonzalez, & Gasco, 2007; Weber & Fortun, 2005). Hence, our grounded theory study focuses on this critical yet relatively unknown organizational role, the challenges its incumbents face as they attempt to steer organizational members toward ethical and legal behavior, and the tactics they use to overcome these challenges.

Our study contributes to the behavioral ethics literature in several ways. First, we focus on the single individual in the organization whose sole purpose is to create and maintain an environment that supports legal and ethical behavior. As our editor eloquently put it, “ECOs have an enormous footprint with respect to organizational ethics,” one that is largely unexplored. Studying these essential personnel who are responsible for managing the organization’s ethical context and for influencing the behavior of many thousands of employees offers a completely new window into studying ethics in organizations. Second, because so little is known about ECOs we used a grounded theory qualitative methodology that is relatively rare in behavioral ethics, and we demonstrate how such a methodology can surface new ways of understanding phenomena such as the ECO role and challenges related to organizational ethics initiatives more generally. Third, through our grounded theory approach, we came to understand the ECO role (and perhaps ethics initiatives more broadly) from the perspective of legitimacy challenges and the processes ECOs engage in to legitimize themselves and their work. The legitimacy perspective emerged from the qualitative data and has potential to influence our thinking beyond ECOs to behavioral ethics more broadly as we consider the role of legitimacy (and legitimacy processes) in understanding organizational ethics.

We begin below with a brief review of legitimacy as it relates to justice and behavioral ethics research. Given our inductive approach, we do not provide an exhaustive literature review here. Instead, we provide a general introduction to the legitimacy construct and its relationship to the ECO role in order to provide an initial orientation to a literature that will be explored in more detail in the discussion section.

### Legitimacy, behavioral ethics, and ECOs

Suchman (1995, p. 574) defined legitimacy as “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.” Legitimacy is desirable for people in authority, because “when [legitimacy] exists within the thinking of people ... it leads them to feel personally obligated to defer to... authorities” (Tyler, 2006a, p. 376). Without legitimacy, it is difficult to influence people without resorting to coercive practices (Kelman & Hamilton, 1989). Legitimacy is similarly important for organizational rules because rules that are perceived to be legitimate induce more voluntary rule compliance than rules that are not perceived as legitimate (Tyler & Blader, 2005; Tyler, Dienhart, & Thomas, 2008). Thus, legitimacy is essential to authorities in organizations as well as for their policy initiatives because employees feel a sense of obligation to defer to the decisions of authorities and rules they perceive to be legitimate. ECOs often have to impose rules on employees that ask them to do things that those employees are uncomfortable doing or would simply prefer not to do. Examples might be reporting a peer

or leader’s misconduct or attending an Ethics or Compliance training session that takes time away from important business obligations. ECOs rarely have the power to impose sanctions or incentives and, in any case, would generally prefer that employees comply voluntarily.

Legitimacy has played a mostly silent role in the behavioral ethics literature while playing a more significant role in the justice literature. Previous justice research has found that authorities gain legitimacy primarily by providing favorable outcomes and by using fair procedures (see Tyler, 1997 for a review). But, these mechanisms may be less available to ECOs than they are to other organizational authority figures because unethical behavior is a low base rate phenomenon in most organizations, meaning that few opportunities exist for ECOs to demonstrate either fair outcomes or procedures to very many employees. For example, employees often do not report a peer’s or a leader’s misconduct. Even in those relatively rare instances that they do report, the ECO may be unable to communicate about the investigation process, or about a confidential outcome that involves employee sanctions because of privacy issues.

In addition to providing fair outcomes and procedures, recent research has identified another source of perceived legitimacy for authorities—the “degree to which the perceiver is dependent on them” (Jost, Banaji, & Nosek, 2004; Van der Toorn, Tyler, & Jost, 2011). If the authority is in a position to help the perceiver reach a goal or achieve other desired outcomes, perceived legitimacy is likely to increase. But, here too, the ECO appears to be at a disadvantage. Those who are assessing the legitimacy of the ECO are unlikely to perceive that they are dependent on the ECO to achieve important business goals or other outcomes.

From the information gleaned from our primary and secondary data, it became apparent that the ECO role, and Ethics and Compliance initiatives more generally, emerged from external pressures brought to bear on organizations as a result of a series of ethical lapses. However, despite the apparent legitimacy of the ECO function and ethics initiatives from an *external*, outsider perspective, the picture that emerged from our primary data was that ECOs in fact struggle with *internal* legitimacy.

It is important to note here that our study did not begin with theory about legitimacy. Rather, our focus on legitimacy and the idea of internal legitimacy as a central theme in our study *emerged* as we proceeded through our analyses. We concluded that ECOs face legitimacy challenges, and that they feel compelled to address these in their work. Through our study, we develop new ways of thinking about legitimacy and we do so primarily from the perspective of the legitimacy *seeker* rather than the more common perspective that studies perceptions of the legitimacy *granter*. We also develop the concept of *legitimacy work* to describe the work ECOs engage in to respond to the legitimacy challenges that they face. Finally, we borrow from the macro and micro level literatures on legitimacy to reference the types of legitimacy challenges ECOs face and to understand the tactics they use to address them.

Our study began by asking the following research questions:

- (1) Why did the ECO role come into being?
- (2) What challenges do ECOs face in their work and what are the sources of these challenges?
- (3) What facilitating conditions reduce these challenges?
- (4) What tactics do ECOs employ as they try to overcome these challenges?

### Methods

Our work is based on a qualitative, grounded theory methodology. As has been well documented in guides for conducting qualitative management research (e.g., Lee, 1999; Locke, 2001),

<sup>1</sup> We recognize that numerous titles for these individuals exist in organizations and use “ECO” for simplicity.

Download English Version:

<https://daneshyari.com/en/article/888596>

Download Persian Version:

<https://daneshyari.com/article/888596>

[Daneshyari.com](https://daneshyari.com)