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Giving Voice in a Culture of Silence. From a Culture of Compliance to a Culture of Integrity

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ABSTRACT. This article argues that attempting to overcome moral silence in organizations will require management to move beyond a compliance-oriented organizational culture toward a culture based on integrity. Such cultural change is part of good corporate governance that aims to steer an organization to enhance creativity and moral excellence, and thus organizational value. Governance mechanisms can be either formal or informal. Formal codes and other internal formal regulations that emphasize compliance are necessary, although informal mechanisms that are based on relationship-building are more likely to achieve moral excellence. Such a shift can be viewed as a transformative strategy for overcoming the destructive side effects and business risks of the tendency within corporate cultures to remain mute when faced with issues that violate personal or corporate values. Genuine dialogues and appropriate ethical decision-making training can deepen the understanding and create a mindful awareness (of ethical values) and induce trust that embrace both complying with rules and regulations, as well as inciting creative ''ethical innovation'' with respect to human interaction in multinational companies.

KEY WORDS: moral muteness or a culture of silence, moral mindfulness, integrity beyond compliance, organizational culture, corporate formal and informal governance mechanisms

Introduction

The familiar image of a ''good conversation'' is a useful metaphor for integrity-based management. Such conversations or dialogues are critical in the attempt to give voice to concerns, which remain unarticulated either because one is unable or afraid to speak about them. This essay attempts to show that the iterative moments of ethical awareness are important building blocks in a culture of integrity. A ''dialectic'' dialogue will reveal that making profit can be aligned with conforming and standing by the principles and values of an organization. Those aligned strategically important values can be either (1) embodied in law and regulations, which will lead to compliance that function as ''legal borderlines'' or (2) in narratives of ethical ideals, which can be reflected in integrity-based management that compel as inspiring living examples of moral excellence.

Only top management can start this process of alignment through the appropriate governance structures and through processes and procedures within the organization. Governance mechanisms (both formal and informal) steer organizations toward profitability while taking into account the process in which moral values and mindfulness constitute an organizational culture that thrives on trust and close collaboration across departments and functions. In other words, the more *formal* procedures and rules focus on (a) avoiding legal liability through strict compliance-driven behavior and (b) to protect the rights of whistleblowers and minorities. *Informal* governance processes try (a) to build relationship-building networks that enhance the reputation of the individual or organization and (b) to rely on the resource-building capabilities of board members, management, and employees alike. Informal internal governance mechanisms, therefore, emphasize the resourcefulness of top management and employees that allows trust to unfold and that creates an attitude of integrity that will start to permeate throughout the organization. These informal processes are often expressed in emotion-inducing narratives about individuals of exceptional integrity

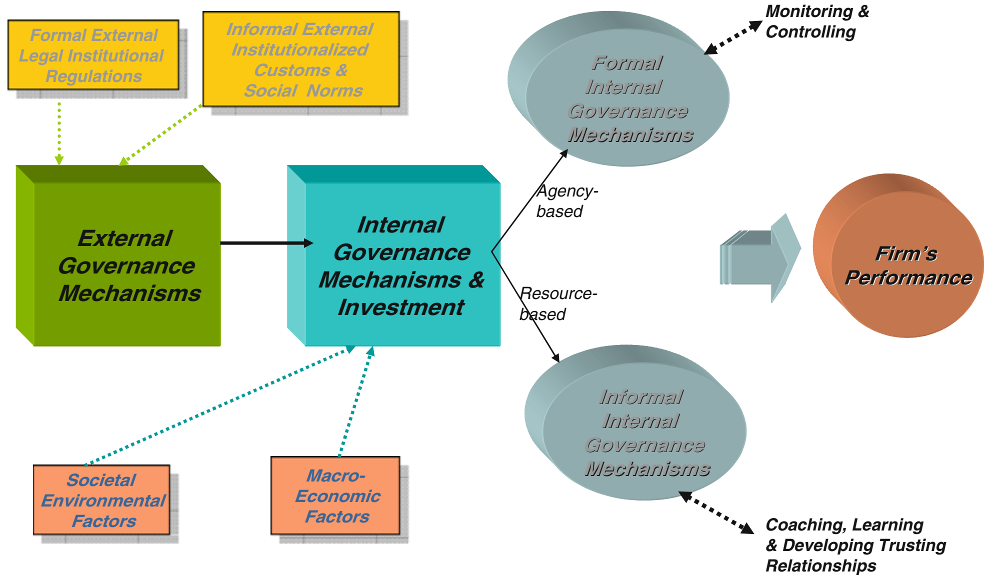

Figure 1. Corporate formal and informal governance mechanisms. *Source*: an interpretation of research performed by Verhezen and Morse (2009) and Hu et al. (2009).

within the organization and through open dialectic "good conversations."

First, this article focuses on the *formal* governance mechanisms of *compliance* oriented behavior as an important *guardian* against particular negative risks in the form of legal liability. However, emphasizing the regulatory and compliance-monitoring and controlling aspects of a multi-national corporation may not necessarily enable organizations to transcend of what has been referred to as the "moral muteness," which stifles both the voices of critique and creativity. Second, the *informal* governance mechanisms aim to enhance the *resourcefulness* of the human capital throughout the organization. Moreover, these informal structures refer to an attitude of *integrity,* the importance of *trust* in the organizational culture and the prevailing informal networks that are formed to improve collaboration and creativity within the organization (Figure 1).

Moral muteness within a compliance-driven organization

The question is to what extent are compliance-driven cultures successful in addressing the issue of "moral silence" in organizations and in applying the desired outcome of enhanced employee morale, productivity, and adherence to aspired organizational values. Compliance with rules and regulations likely reduces the legal liabilities for not crossing into illegal behavior. Although a culture of compliance does lead improved [legal] accountability for one's actions and behavior, it does not necessarily imply that moral liability is avoided or that moral responsibility is fully attained.

Multinational companies install codes and regulations that structure what is legally "permissible." Somehow, most of those multinational companies (MNCs) comply with the prevailing norms as the inversed shaped Bell-curve in Figure 2 shows. Only a limited number will attempt to seek profitability through illegal means or outright fraud, which they *regret* when getting caught. At the other end of the curve, it seems that only a few reach the stage of moral excellence that creates enormous *opportunities* to differentiate themselves from the pack. Unfortunately, our experience seems to indicate that quite a number of companies are strangled by moral muteness (in the lower end of the Bell-shaped curve). Following and complying with the letter of the law will likely not overcome moral silence in organizations, nor will it result in moral excellence. The latter will need to be inspired by an attitude of integrity.

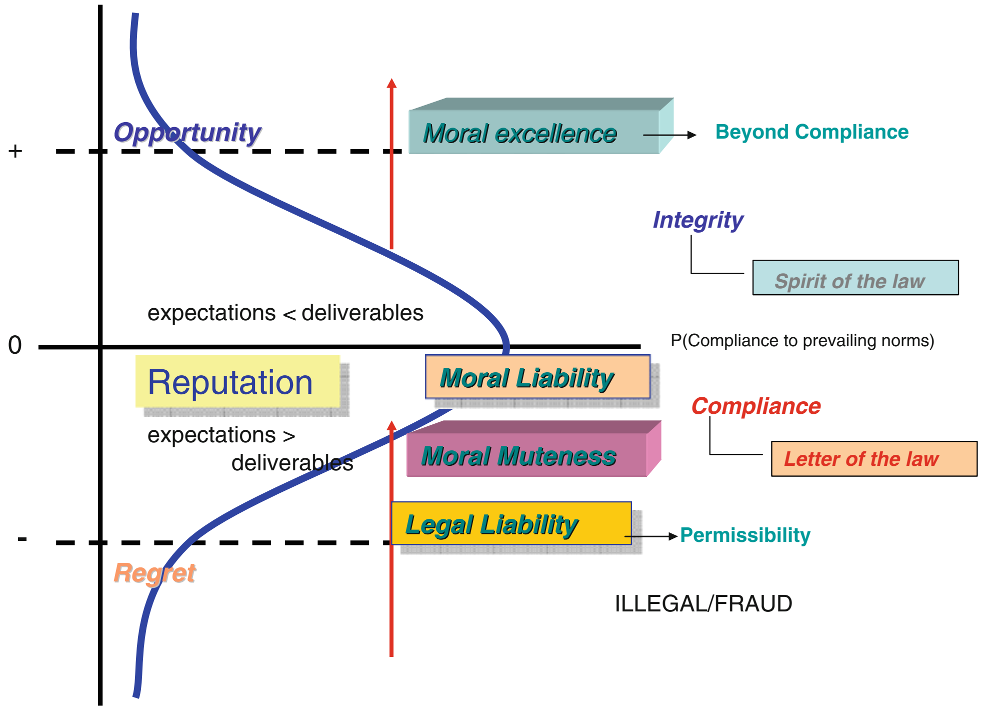

Figure 2. Moral excellence and legal liability.

Compliance, codes, and reputation

Compliance will result in some likely safe heavens of accountability but will not be able to create passion and moral excellence. Attaining a high-corporate reputation requires that financial performances are aligned with high moral standards and with societal expectations of relevant stakeholders that result in increased organizational value (Arjoon, 2005; De George, 1993; Emerson, 2003; Freeman, 1984; George and Sims, 2007; Jackson and Nelson, 2004; Porter and Kramer, 2006; Zadek, 2001). Only when expectations [with respect to moral values] can be delivered or exceeded, a reputation of high moral caliber can promulgate. Reputation can be defined as the difference between an experience (or reality) and an expectation (or claim). The more an experience of a product or service offered by a company exceeds the expectation, the higher the reputation will be. Therefore, it is important that there is an alignment between delivery and expectations, and between financial and non-financial objectives. Indeed, corporate reputation is constituted by a stakeholder dialogue, open and honest communication, intentions that are followed by evidence, and the avoidance to cover up for failure (Stone and Washington-Smith, 2002). It seems that the value of reputation becomes more and more important for international corporations (Fombrun and Foss, 2004; Heineman, 2007; Jackson and Nelson, 2004). Accountability, transparency, and responsible behavior, all constituents of corporate governance, do positively affect reputation. A lack of such an alignment leads to cynicism, low morale, and alienation among employees often silencing them into disgust, disbelief, or incomprehension. If an organization, however, were to take such reputation effects and the team collaboration efforts into the performance appraisal, it could become an important tool to improving the overall organizational value (Sama and Shoaf, 2005; Sisodia et al., 2007; Treviño et al., 2000; Weaver, 1999; Wolffe, 1988). In an increasingly complex and ambiguous international business environment, some guidelines to create a trust-inducing[1] and "appropriate" context remain a daunting task (Caldwell and Karri, 2005; Koehn, 2005; O'Brien, 2001; Verstegen and Buchholtz, 2001).

How do companies deal with culturally "unique" particularities, especially if they occasionally clash with the codes of conduct or with the principles in the home country or in the organization itself? What is ''fair'' in such particular situations, far from home? Multinational corporations usually do not want to upset the local host and their cultural sensitivities or preferences. Often they exercise a relativistic approach: do as the Romans do when in Rome. To what extent do most corporations pursue a pure legalistic approach where FCPA and internal codes determine the organizational behavior? Or rather, how are ethical principles ingrained in the DNA of the organizational culture[2] that would enable management and employees to be able to speak up and solve ethical dilemmas in a different cultural context? Moreover, it seems that organizational cultures are one of the main obstacles encountered in implementing change.

Multinational corporations face ''cultural interpretations'' in their international operations that are unacceptable if codes of conduct would be strictly implemented. It is common practice in China to submit receipts when entertaining clients and customers and to only list ''dinner'' while in fact the amount receipted could actually cover many additional items, including escort services for example. In fact, one is able to get the manager of the establishment at which one has had dinner to provide a blank receipt on which only ''dinner'' is listed. While this may be acceptable for local businessmen in China, it is not acceptable behaviour for employees of most [Western] MNCs.

The tone of codes of conduct can be questioned as well. American codes can often be perceived as legalistic when translated in another language for example. In a European context, codes are more principle than rules-based and call upon their personal responsibility rather than telling them what not to do. Even within the Anglophone context, some particularities will need to be kept into account. Most US- and European-based companies' policies for example place a strict ban on workplace gambling. Cultural imperialism in any country needs to be countered with increased cultural awareness and respect for the local culture as the example of the Melbourne Cup[3] versus zero-tolerance against gambling at the workplace neatly proves. Organizations need to address possible codification of values with a certain mindfulness that takes cultural sensitivities seriously.

Why not just make sure that companies comply with internal codes of conduct and comply with the more generic rules and regulations of the industry to safeguard their reputation? Sarbanes-Oxley (2002) and the US Federal Sentencing Guidelines for Organizations aims to install a commitment to compliance (Green, 2005; Moeller, 2004; Rezaee, 2007). Interestingly, research has shown that employees will comply and act ethically if (top) management is been perceived as legitimate and if organizational policies are seen as congruent with their own moral values (Treviño et al., 1999). Moreover, employees believe that management is *legitimate* when organizational procedures are considered as *fair* (Tyler et al., 2008). Quite regularly, organizations encounter dilemmas or even perceive challenging dichotomies between a ''command-and-control'' approach that promotes compliance (through rules, punishment, training, and reporting) and a ''values-and-integrity'' approach. The former is embedded in the traditional formal corporate governance perspective that agents should be monitored and controlled to reduce potential free-riding or undermining shareholder value, the ultimate objective of this perspective. The latter, which is much more informal, however, is not in contradiction with the market-based approach because employees but also customers and other stakeholders are asked to ''buy into'' the values of the organization (Freeman, 1984; Tyler et al., 2008). The interesting catch is to find out which of these approaches is more effective in promoting and guaranteeing compliance. Conceptual and empirical research seems to indicate that the trust in company's values and its living example through top management is much more powerful in ensuring compliance with rules than compliance programs or fear for punishment (Srivastva, 1988; Treviño et al., 1999; Tyler et al., 2008). Moreover, value-based approaches are considered more effective than a compliance-based approach because the former is rooted in personal self-governance and is more likely to motivate employees to behave in accordance with shared organizational ethical values (Eisenstat et al., 2008; Frank, 2004; Getz, 2009; Gellerman et al., 1990; Hart and Thompson, 2007; Paine, 1994, 2003).

Unawareness, fear, and moral muteness

It seems that it is the undiscussability of assumptions behind a compliance strategy that kills (ethical) creativity or incites fear for not complying which ultimately may result in moral silence. A reasonable reaction would be to de-activate such a defense system of moral muteness and to elevate it to discussable dialogue. Moral judgments and sustainable development indicate the importance of thinking long-term beyond maximizing quarterly profits.

Product managers in most factories are under pressure of deadlines. It is not unheard of that managers turn pressure on the quality inspector for instance to illegally approve or ''buy-off'' a part in the production process that may not have passed inspection or meeting regulations under normal circumstances. In the short-term, the manager just wants to meet customer expectations of delivering the product on time which obviously is important or he may be afraid for delaying the delivery process, which may affect his own perceived performance. However, is it right to risk quality to meet that deadline? In this scenario, the manager has to weigh up the long-term responsibility for safety with the short-term goal of meeting the delivery schedule. Moreover, workplace safety and environmental quality can be perceived by most employees as critically important when talking about values in organizations (Bonini et al., 2007). Hence, safety is reframed in a different discourse and it becomes a moral values-based imperative that is commercial sound, creating a business opportunity, or reducing potential operational risk.

The rules and regulations concerning safety are clear as are the possible negative consequences. How do ethical officers prepare to think through the various factors involved and what in the end they will be rewarded for? Will the product manager be rewarded more for getting the parts out on time or for taking the time to make the right decision? One would hope both factors would weigh equally into his thinking. In the case of the inspector, are ethics officers giving him what he needs to be able to articulate the values, which must be upheld and the environment in which he feels safe enough to speak up in the face of potential wrong-doing? Or is there the possibility that the pressure will be so great that he will cave and thus, not only bring about a risk to the business, but also perpetuate what has become known as a *culture of silence* (Heineman, 2006) or *moral muteness* (Bird and Walters, 1989).

There is first of all the issue of being unable to speak about issues of moral concern – issues, which violate one's conscience, as well as the corporate values – because one does not have either the vocabulary or the comfort level to speak in such terms. Second, there is the issue of not being able to speak out of fear of voicing a concern because one perceives the possibility of retaliation.

Ethics officers need to create an honest and open culture where employees do feel safe to come forward when they see something going on that is illegal or counter to organizational policies and procedures or that cannot be aligned with the expressed organizational values, rather than remaining silent (Lennick and Kiel, 2005; Mirvis and Googins, 2006). One hopes that more employees are making early contact either anonymously with the ''ethics line'' that functions as an ombudsperson or calling the ethics office with the assurance of confidentiality to at least inquire about whether or not situations could be illegal or unethical or whether potential decisions could lead to outcomes in violation of the organizational policy or organizational culture.[4] When people do not speak up, risks to the business occur and dissatisfaction possibly results in a status quo that cannot be challenged. Ethics cannot survive unless people speak their conscience. Conceptually, people are morally mute or silent when they fail to voice moral concern in situations, which normally can be expected to evoke moral sentiments, as in a Western manager in Southeast Asia for example paying kickbacks to ''guarantee'' that the contract is obtained, adapting to the allegedly local ''customs,'' though illegal nonetheless (Li, 2003; Tan and Snell, 2002; Verhezen, 2009; Yadong, 2005).

In his influential scholarly work, Frederic Bird provides a taxonomy of the forms of moral silence: (1) not blowing the whistle on observed abuses, violations, or misconduct; (2) not audibly dissenting from organizational policies, which could include morally questionable behavior; (3) not questioning or debating aspects of decisions thought to be morally unclear if not questionable; (4) not speaking up for one's moral ideals; (5) not bargaining hard enough for positions that might advance morally valued objectives; and (6) not providing adequate feedback either in supervisory or collegial relationships (1996, p. 34). Moral silence regarding morally doubtful behavior[5] can vary in its (non-)cognitive expressions. It should be noted that answering the question how vocal the person needs to be will depend on contextual factors such as the seriousness or urgency of the questionable behavior. Some level of discretion or loyalty should not be too easily dismissed or wrongly indicated as silent accomplice. Moreover, the presumed interactive model of accountability in compliance-driven organizations is often one-sided activity instead of a two-way interactive dialogue.

What is required to overcome moral muteness is that we remain attentive whenever we voice genuine moral concerns. That leads to another question: why are people morally mute or blind? One could distinguish cultural, individual, and organizational causes for moral silence. First organizations are ''culturally'' affected by the predominant paradigm of rational individuals pursuing their self-interest or the predominant pressure of loyalty toward superiors in Asian cultures and to lesser extent in Western cultures. Second, there are *organizational* factors, which unfortunately stimulate moral silence: (1) organizational blocks to dissent, questioning, and criticizing; (2) top–down organizational accountability that do not include overt moral discussions; (3) barriers to horizontal communication as result of internal rivalry or avoidance of open discussions of conflicts; and (4) blocks to organizational learning such as complacency and overconfidence that stifle learning processes (Bird, 1996). Finally, there are a couple of *individual* causes for moral silence such as the fear of uncertain engagements where one is vulnerable and not in full control, to pursue (or not) an ethical outcome, or the fear of being implicated and being ethically inarticulate. All are factors that are counter-productive to ingraining civility or ethics in the organizational culture. At each level, one should be able to question the underlying factors of moral muteness.

Commitment to ethical values and dialogue

Codes, which are enforced or fail to deliver their expected outcomes for whatever reason, might be thought of as little more than cynical expressions of pious hope (Welford, 1995). According to Donaldson (1989), the most serious barriers to improvement are not in the nature of people or business, but are attitudinal. There is, therefore, a need to change in culture of an organization. Central here is a *commitment* towards an improved [culture of] ethics. Organizations need to shy away from ideologies that only ''value'' financial performance. Organizations should also consider their corporate relationships with stakeholders and society at large. Such a relationship requires sound ethical conduct that fosters a good corporate reputation and public image. Such ''good'' ethical conduct is believed to be installed by complying to appropriate ethical codes of conduct (Kaptein et al., 2005). However, an attitude of integrity beyond mere compliance may have much greater impact on employees' ethical conduct (Buchholz and Rosenthal, 2005; Cloud, 2006; Kennedy-Glans and Schulz, 2005; Schwartz, 2001, 2005). Transcending rules and living the example will more likely result in moral excellence, as Figure 2 visualizes.

If the basic problem is one of blocked or frustrated moral communication, then the solution should be sought in a more interactive approach. Not everyone in the organization is well versed in expressing their concerns and views, especially if these are related to ethical values and principles. Managers regularly use forms of discourse that obscure rather than reveal these concerns. Moral communication can take place in both a formal and informal interaction depending on a contextual ethical discourse (Habermas, 1984, 1987, 1998; Scherer and Palazzo, 2007). Moreover, because moral communication most often refers to moral argumentation, justifications cannot be verified by neutral empirical investigations since they represent judgments of value rather than judgments of facts (Gert, 1998; Putnam, 1997, 2002).

When we make justifications for moral behavior, we invoke moral values to argue why some particular behavior is morally acceptable or not. Most powerful though are narratives about ''defining moments'' in organizational life, which are told over and over again, and lived by the leadership of the firm. Medtronic, Timberland, and Johnson & Johnson are three such examples of corporations with impeccable reputation and narratives that are morally exemplary.

However, when ethical discussions are viewed as irrelevant and inefficient, such an attitude will fast become engrained within the organizational culture that ethics has nothing to do with the way business is conducted. The scope of ethics within business discussions is narrowed often to only those matters of what would be considered egregious behaviour. When employees feel that ethical discussion is not welcome in an organization, the organizational culture will logically avoid ethical issues that have empirically proven to cause potential problems. Creating a bureaucratic ethics that focuses on tick-the-box-to-rules potentially harms the organization itself. If people are rewarded for just complying and if it is perceived that dissent is either unwelcome or even in some way punished, then no one in their right mind will argue when faced with a curt retort of: "there's no ethics issue here." So, ethics officers need to ask: what behaviour is rewarded? Ethics officers need to provide their employees the vocabulary and the legal and moral space to use when faced with what they perceive is an ethical risk to the company. Employees should feel safe to speak out. Ethics officers need to give employees authority in conversations. At many organizations, ethics officers begin to teach the language of ethics and ethical decision-making with reference (a) to their code of conduct which outlines expected behaviours and (b) to the organizational list of corporate values and principles. Those moral principles as well as ethical leadership attributes are to guide those behaviours. In such an organizational culture, employees will be able to step outside of oneself and reflect upon what is motivating one's decision. A person, who proves capable of self-reflection and can articulate that self-reflection, will be much better qualified to recognize and deal with situations that have an added complexity of a different ethnic culture.

Good moral communication, trying to overcome moral silence, is implicitly assuming some kind of good conversation or dialogue (Bird, 1996; Habermas, 1984, 1987). Some minimal normative standards for a good conversation or dialogue need to be applied as a basis to find ways to encourage individuals to participate. A dialogue or good conversation is a "collective" work in process of thoughts and expressions where no final conclusions are reached but where some guiding generic recommendations are formulated. Good interactions themselves unfold over time allowing people to learn. They cultivate a sense of partnership among the participants and are highly educational. We also can assume that good conversations foster trust while they strengthen the conscience of those involved. And somehow, good conversations could occasionally create gracious initiatives. Ethics is not only an active issue of the ethical advisors but is an issue, which concerns everyone in the organization. Active participation in such dialogues by top management in support of the commitment to ethical values, signals a clear message. Ethical commitment and participation into a comprehensive reward system are all mechanisms to engrain non-financial objectives into the organizational culture (O'Reilly, 1989).

Ethical advisors, who are better versed in ethical discourse and ethical vocabulary, can assist managers to become more aware of the importance of ethical reasoning. To a significant extent, moral muteness is caused by a non-awareness or non-understanding of moral reasoning within an organization. The *fiduciary shareholder model* that predominates in most corporate cultures (Eisenhardt, 1989; Friedman, 1970; Fama and Jensen, 1983; Jensen, 1986, 2002; Jensen and Meckling, 1976) partially explains this moral muteness since no vocabulary is available to address ethical sensitivities within this shareholder model. The "best interest of the corporation" principle – a key part of corporate law in most countries – states that directors, managers and employees have a duty to act to "maximize shareholder value." This short term oriented shareholder primacy has been seen as an obstacle toward more socially responsible organizations. Creating an honest and open culture within an organization can help bring about an atmosphere where people are willing to speak up before an ethical lapse occurs.

Moral mindfulness as a process to integrity-based strategies

Greater transparency, increased communication, and demonstrating on a daily basis that the organization and its management and employees operate with integrity have never been more crucial to a corporation's reputation and its success. All those attributes and characteristics are part of what is labeled "best corporate governance practices" (Bainbridge, 2008; Bradley et al., 2000; Charan, 2005; Dimma, 2002; Huse, 2005, 2007; La Porta et al., 2000; Schleifer and Vishny, 1997; Solomon and Solomon, 2004; Young, 2007). Although traditional [formal] governance mechanisms insist on *controlling* and *monitoring* the agents to assure maximization of shareholder value, the expanded [informal] governance mechanisms emphasize the ''resourcefulness'' and *creative innovative capabilities* of its human capital or ''agents'' (Buck and Shahrim, 2005; Hillman et al., 2000, 2003; Huse, 2007; Li, 2003; Li, 2008; Verhezen and Morse, 2009). The aim to achieve *moral mindfulness* beyond conformity may help to overcome the challenge of *moral muteness*.

Accountability, responsibility, and moral mindfulness

A compliance-based management system is often externally driven – it is a given that regulatory bodies need to have assurances of strict compliance with rules, codes, and regulations. Management within a compliance-based framework functions under the assumption that adherence to the rules, codes, and regulations will suffice to guide ethical behavior and to avoid any potential legal liability.

The notion of integrity, however, is more than a moral individual character trait (Carter, 1996; Cloud, 2006; Cox et al., 2003; McFall, 1987; Pritchard, 2006; Verhezen, 2008b); it is a process of continuous ethical awareness of the role one is expected to play in an organization and in accordance with specific ethical guidelines within and even according to expectations outside the organization. A leader or manager with integrity ''stands for something'' and is willing to live by these principles and values with and for others in an organization (Calhoun, 1995). A manager with integrity cares about what that organization or community endorses beyond any individual self-indulgence. Organizational principles and values frame the moral boundaries (or obligations and duties) and create an ethical environment in which virtuous behavior is able to lead to beneficial consequences for those working within that organization.

Managers, nevertheless, need to acknowledge the environment for fear of the potential legal risk if the move from a *culture of compliance* to a *culture of integrity* is not done correctly and thoroughly. If within the culture the vigilance of the compliance mindset is completely forsaken, there is the risk that someone could take their eye off the ball and commit a legal transgression. If this were to occur, the natural reaction would be an immediate return to a rigid compliance mentality and no one would be able to or even dare to act without getting approval from layers of authority because no one would want to risk making another legal goof! However, defining ethics in terms of legal compliance only rather than in ethical aspirations, would imply a ''code of moral mediocrity'' (Treviño et al., 1999, p. 136). Despite the presumed superiority of a values-based approach, most Fortune 1000 companies combine both approaches though the compliance approach predominated over the values-based approach in over half of all the firms (Treviño et al., 1999), partially influenced by the US Sentencing Guidelines (implemented in 1991), which focuses on rules-compliance.

Ethics officers need to assist organizations to move beyond legality while embracing it all along instead of just moving away from it. By creating an awareness and interiorization of values, ethics could ''limit'' certain behavior and enable certain feelings of empathy to unfold and evolve (Elkington and Hartigan, 2008; Frank, 1990). Especially when those values are engrained in the daily life of the organization, tacit awareness will emerge. Ethical behavior can strengthen the legal stance within the organization (Comte-Sponville, 2004). Ethics does not teach us to become a hero (Badaracco, 2003a, b). On the contrary, a culture of integrity teaches us to stick to our principles while being pragmatic and trying to adapt with small trial-and-error piecemeal engineering (Badaracco, 1997).

Empirical studies show that an organizational culture that encourages ethical conduct and is committed to complying with rules and regulations is usually not emphasizing the fear for punishment but rather a focus on fairness. Indeed, procedural fairness is more important than outcome fairness in promoting employee commitment and compliance. It is the commitment to values – accounting for 87% of the explained variance between risk for punishment and integrity-based motivation in a US survey – which is the key to explaining and influencing employee rule-oriented behavior to motivate them to voluntarily adopt company values as their own (Tyler et al., 2008). In organizations where ethical values are engrained and where procedures are perceived as fair, employees will almost automatically be motivated to comply with rules and regulations. Compliance to rules and regulations makes managers and employees accountable for their actions and behavior. An attitude

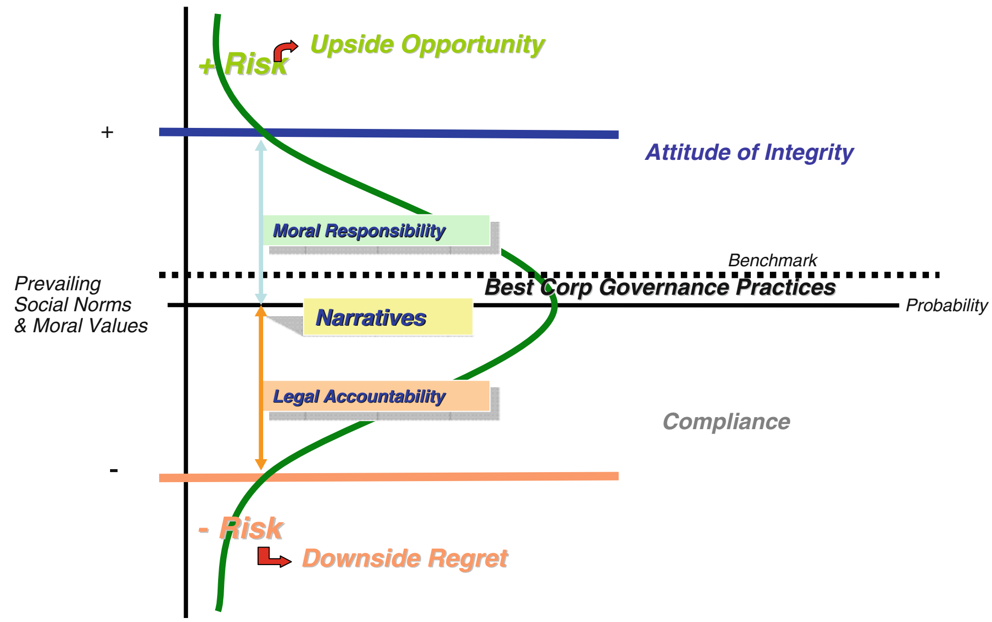

Figure 3. Best corporate governance practices based on accountability and responsibility.

of responsibility usually implies that mere compliance is transcended and transformed to a ''higher'' moral level of integrity, as Figure 3 attempts to visualize.

Many executives believe that as long as they comply with the law and organizational codes of conduct – that supposedly guide ethical behaviour – there would not be an ethical problem. In other words, they wrongly juxtapose legal and ethical principles. Despite the differences in the debate about business ethics,[6] there should be room for disagreement within a corporation as long as some basic fundamental rules of respect and dignity are applied. Certain basic elements must figure in any good life, which says what is socially permissible and morally acceptable. Differences are useful and important in reaching new solutions. A theory of value within organizations should be pragmatic and applicable where virtuous behavior discerns about what actions are appropriate and where the consequences are accounted for. A corporation should stand for some specific principles or values related to their stakeholders (with clients, employees, and shareholders as primary voices), which then need to be internalized as part of the company's vision and mission. Moral values underpin good corporate governance practices that ultimately steer the organization toward ''optimized'' organizational and thus shareholder value.

Ironically commitment to shared values is precisely what is needed for differences to be allowed. Without this commitment to diversity and differences of opinion, conversations which entail will be hard to navigate and be even fearful. A movement beyond a purely compliance oriented *modus operandi* is important: mandates may achieve compliance, but such a compliance that may remain half-hearted, foot-dragging, and resentful. Cooperation is realized more enduringly and more fully by fostering commitments to shared moral values. Shared values provide a common vocabulary for identifying and resolving problems, constituting common cultures, which provide the guidelines for action and the justifications for decision (Bird and Walters, 1989). The allowance for difference is especially critical as we consider the almost impossible task of trying to achieve corporate cultural consistency of behaviour in a multi-national corporation. Ethics officers or change managers need to focus on teaching people to think deliberately within the moment when they are faced with a decision to be made. They must teach them how to maintain the *dialectic* tension between the particular [context] and the concept and resist the impulse, which would make the two identical. One needs to understand the contradictions of concepts and realities in their specific contexts. What is demanded is that the environment within which people need to make these decisions, allows for the openness to challenge the dominant way of thinking in that context when necessary. With appropriate contextualization, ethics officers can restore dignity to the participants of the training as respect can been shown for their particular situation. ''Total responsibility management'' attempts to integrate an inspiration or vision of responsible practice throughout the firm with innovative strategies and a goal of continuous improvement. In other words, through capacity building, management integrates ''responsibility'' into corporate strategies and management systems (Waddock et al., 2002).

Ethical training, ethical narratives to create moral awareness

As long as an organization can agree on some core values underwriting ''categorical principles'' as stated in guiding codes, those [values] can be contextualized and applied in different cultural contexts. Ethical awareness is a form or expression of conscience that is engaged providing a perspective on decision making that resists rigid definitions of compliance (Goodpaster, 2000,[7] 2007). Awareness is a difficult notion for most executives because they are not familiar with a vocabulary of spirituality, ethics, or religion unless in private life. When dealing with executives, ''awareness'' can be compared with some form of *tacit knowledge*[8] that only becomes explicit when applied in a concrete situation (Polanyi, 1966). One could imagine that ethical awareness and mindfulness would become such a tacit knowledge in organizations, though they occasionally need to be explicitly articulated to keep the ethical flame of integrity alive. Practicing the potential ethical dilemmas and making executives aware of the ethical issues at stake may allow them to ''internalize'' that knowledge. Ethical behavior is not the result of legal mandates to which we need to refer when we do something, but of internalized values and principles. Without individual awareness, understanding and implementation of those values in real situations, no institutionalization will last. In fact, compliance strategies (which could be seen as a way to institutionalize ethical principles) put the cart before the horse.

There is a lot of external pressure put on companies, such as those working on government projects [both in the West as in the East], to prove that employees in MNCs get the right training and comply with the rules and regulations. Too often, one falls into the ''box ticking'' mentality and one wonders why people mess up when a really complicated ethical dilemma arises. This is where character building and executive coaching have a role to play, in terms of moral development. Ethics officers must also pay attention during the recruitment processes for those moving into management positions – and in fact, there are ''integrity'' tools, which can be used as part of that process.

Organizations need to recognize the critical component of character in the mix of what is fundamentally required in order to mitigate the risk of wrong behaviour. Organizations ignore character at our own peril. More and more corporations' codes address both the need to speak up and the need to not retaliate against those who do speak up. This is the ideal. Organizations need to question why the ideal does not always occur. If employees are receiving the message or even perceiving the message that it is not appropriate to speak up because it is inefficient or because managers do not want to hear bad news, then they will soon stop speaking up. If this is the case, then organizations are condoning blatant contradiction of the corporation's code. Silencing dissent may actually cause more dissent from people of conscience, or it may force people of conscience to leave the organization.

When ethics officers get people talking about responsibility and conflicting principles, then one should force the argument to shift away from ''What can I legally get away with?'' or ''What do I need to do to avoid a law suit?'' One of the tasks in a values-oriented organization is to raise awareness of guidelines for appropriate and acceptable business practices as stipulated in best corporate governance practices. Those practices ensure that employees, minority shareholders, and other relevant stakeholders do understand the values, which undergird the decisions made and the organizational behavior. Moreover, the presence of well functioning ethics officers should also ensure that employees have the ability to morally discern. The point is to change the behavior, not punish. Reality seems to suggest that training and making people aware in organizations may be a starting point to raise the level of ''moral responsibility.'' At ethical training centers of top multinational corporations, simulations of a case involves the participants being divided into teams, where elements of pressure, time, and budget are all part of the picture. On top of that, they have to try to be the winning team. However, most of the time, they just plain miss the ethical risk factor. It has to be real-context training, where you do not have time to reach for a rule to follow. You need to have internalized the values, so that they shape the decisions you make in the moment. Those real-context training sessions are formidable tools for improving moral awareness and transcending moral muteness.

One should want the values of the organization to enable the appropriate behaviours. Instead of people being too afraid to speak up even if they do see something illegal happening, one should want them to come forward because they value doing the right thing more than they fear retaliation. A culture of silence is often at the roots of causes of document theft and conflict of interest scandals that can cost an organization billions of dollars in fines and upheaval the leadership level (Bennis et al., 2008; Heineman, 2006). Strict and rigid compliance just builds in more fear.

Stories, corporate memory, and *narratives* contain a great deal of tacit knowledge about an organizational context. They convey ideas relevant to time and place and also suggest, often in a fragmented way, notions that are more broadly applicable. The powerful ability of "imagination" is required to understand stories, which share certain truths about what is important and what is not. Moreover, the idea of visualizing and imagining ideals of goodness or moral performance is a means of improving actual ethical performance. Many have benefited from the discipline of imagining to achieve an ideal outcome (Mackay, 2004; Werhane, 1999).

One needs to move beyond merely insisting upon rigid conformity and compliance to rules with little understanding because one knows this puts people at greater risk of not being able to figure out what to do when presented with complex problems or a new context where the rules are different. Understanding the answers to the most elusive and complex of ethical dilemmas that arise are dependent upon the moral fiber of the individual who has to make the decision, their wisdom and their understanding not only of the issue itself, but also of their responsibility, their role, and what is at stake, in the decision-making process. Simply stated – ethics officers need to look at indicators early on, and manage the organizational culture and employees consistently to hold people accountable (cf Figure 3). Similarly, the monitoring process of the top executive management team by the board is like a conversation to enhance the productivity of the management team, not to undermine their power (Charan 2005, 2009; Clarke, 2007; Dimma, 2002; Hess, 2007). Solving strategic issues that may affect the productivity of the organization, and thus, its long-term shareholder value needs to be addressed in a non-confrontational manner, but through dialogue and guidance as in coaching and developing stronger relationships (cf Figure 1).

Managers can change rules and change the way they orient people into their corporate culture. Moreover, they can change what is called acceptable behaviour within the corporate culture. However, to be really effective and for people to feel safe enough to speak up when necessary, one needs to have a deeper transformation of the mindset or cultural ethos itself. This needs to be driven by the leadership, i.e., the board and top management. One can expect leaders to create the atmosphere of openness and honesty.

Empowerment and integrity beyond conformity

"Transformation" is a complex notion. We can either speak of a personal transformation or of an organizational transformation. A personal transformation based on moral mindfulness is usually internal and often refers to a spiritual journey where a process of cultivation and awakened awareness may evolve. Cultural changes in an organization depend upon behavioral changes and imply a different philosophical framework or different perspective. Organizational change will need prioritizing of particular objectives and adaptation of processes and procedures accordingly. Any organization should question the assumptions about the chain of value creation and the principles guiding that process. Assumptions need to be hung out so that awareness is generated and thus a process of change can begin (Senge et al., 2004). In fact, we need to get out of our comfort zone – our framework – in order to see new opportunities. It could be easily argued that the fiduciary obligation of directors, managers, and employees implies a fiduciary care (Young, 2007; Young and Thyil, 2008) that goes beyond mere compliance with maximization of shareholder value toward optimizing organizational value.

At an organizational level, a transformation starts with questioning the fundamentals of the current strategies. On an individual level, the assumptions of our fears and desires are analyzed to overcome moral muteness. We may become aware of ourselves and try to ''empty the bucket'' in a state of ''nothingness.''

Each change in attitude starts with an awareness and understanding of the values and principles involved. An attitude of integrity, for example, is based on an internalization of those values and principles despite the potential conflicting demands and dilemmas. Admittedly, calls for integrity and responsibility in institutional life – often in the wake of scandals – seem regularly losing energy and effect (Goodpaster, 2000). It is a piece-meal and continuous decision making process to solve this challenge. Once ethical values are internalized, one could implement support systems and incentives. Creating such a culture of chance means that a culture is created that is passionate, purposeful and supported by senior management. There is ''intrinsic motivation'' by aligning business objectives with ethical ideals where people will likely do a better job when they believe in what they do and in how the company behaves when they see that their work does more than just enriching the shareholders. The ''extrinsic motivation'' through bonuses, options, R&D visibility, research awards is a consequence of competitiveness of the traditional economic value proposition. Ethical mindfulness and ecological sustainability, next to profitability, are goals that may not be completely contradictory as they first seem. However, economic strategies will need to be aligned with corporate citizenship and a need to hail long-term sustainability in order to commit to the obligation of fiduciary care (Mirvis and Googins, 2006; Sama and Shoaf, 2005; Young, 2007). Ethical mindfulness and ecological sustainability is a critical component of such a paradigm shift (Hart, 1997, 1999, 2003, 2007; Zadek and Simon, 2004) toward greater social justice. One must take the long-view.

Ethical sustainability depends upon an attitude of integrity at all levels of the company. At the core of effective ethics programs is the notion of ''integrity'' which can be defined as ''doing the right thing, always.'' To ensure that integrity then is the central aspect of the [performance] equation, the organization also needs to ensure that the thinking behind decision-making and actions are based on more than just giving the right answer immediately. And that is where a lot of people get stuck. They just want to find the right answer, solve the problem, and move on. The point, however, is that decision-making should not be based on pressure or fear. Without considering the outcomes of decisions, the choices made could lack integrity. Effort (as in virtue ethics), conduct (implying some deontological logic), and impact (as in consequences) should be integrated into the decision process of organizations who claim to emphasize the importance of an ethical environment in organizations (Kaptein and Wempe, 2002; Kaptein and Schwartz, 2008; Verhezen, 2008a).

Corporations do not need to move away from a culture of compliance [to a culture of integrity], but to transcend, to move beyond, to incorporate compliance into a higher dialectic level of understanding where there does not necessarily need to be conflict between compliance or integrity. The tension between them can be healthy and can force deliberate thinking and better decision-making. Limitations should not be felt as negative constraints, reducing freedom, but rather as an increased possibility for freedom and leaving behind some *legacy* that is engrained in the *legitimacy* of their excellence [as drawn in Figure 4]. Cultural transformation is not just turning a corner that we knew was coming. It is a fundamental shift away from one way of doing things toward a new understanding and new ways of doing things.

We have to understand that we construct our culture, it is not a given; therefore, we can transform it. In the process of transforming an organizational culture purely based on compliance, it is important that the top management considers an increasing urgency when dealing with those ethical issues, and not just perceives ethics as another ''judicial'' or public relations requirement, which needs to be fulfilled and complied with in order to reduce potential liabilities. Only then organizations will earn their *legitimacy* and maybe even leave behind a *legacy* (cf Figure 4) that will become a ''narrative'' (cf Figure 3) in its own right to be remembered.

Through consensual decision-making based on mutual respect and integrity of the self-worth of any

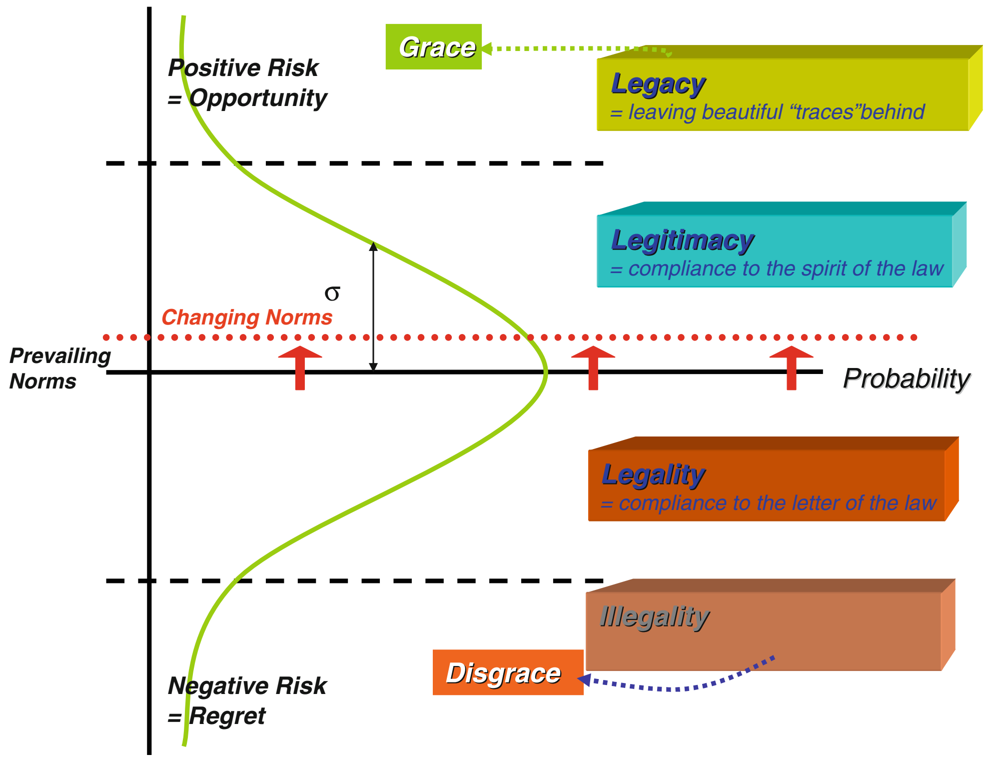

Figure 4. Legality versus legitimacy and legacy.

employee, new creative possibilities will likely emerge. It requires a shifting from unilateral control to mutual learning as in any dialogue. The goal is to act in alignment with our essential ethical principles, based on an attitude of integrity, as a legislated or mandated public relations directive experiencing self-esteem in a working environment (Levinson, 1988). People with self-esteem on the job – and not just complying with the rules – are usually more productive and creative. Such empowerment will likely lead to some short-term wins as well. However, those wins should not be a reason to become complacent or a means of victory. Ingraining ethical values is a never-ending process and one should never let up. The ultimate question remains how such an initiative can endure or can become the real DNA of the organization.

Conclusion

Organizations where integrity plays a central role will not only survive future competition as changed expectations demand transparent and accountable business conduct, but they will also engender a high quality of life within the organization as an end in itself. This article attempts to show why such an integrity strategy based on an open dialogue and ethical learning programs guided by able ethics office(r)s would benefit the organization while enhancing the inherent well-being of its members, as well as provide for new opportunities, enhancing a potential return. These benefits are seen in less anonymous complaints communicated to ethics officers and less investigations performed by ethics and legal officers within the organization while at the same time an increased number of proactive and preventive suggestions to improve the moral mindfulness is noticed. Organizations implementing "best corporate governance practices" are often steered to become sustainable competitive in a global context where integrity is part of the overall strategic objectives. An ethical manager or employee will demonstrate the courage of their own or an organization's convictions and values but at the same time will work to align their words with actions by setting clear policies, explicit targets, and incentives to help the company to get there. Moral muteness or silence cannot be part of that challenging but inspiring transformation process to an integrity-based framework. Integrity as in moral mindfulness is not a technique but an ethically inspired attitude to do the right thing, always.

Suggestions for future research

More empirical and normative research is needed to analyze to what extent traditional economic performance oriented and compliance-driven organizations could be transformed to organizations with a reputation of high integrity. Such a transformation of a culture of compliance as a first stepping stone to a culture of an attitude of integrity may cause an overall increase in productivity and creativity of the workforce. The main issue is to perform more research to what extent integrity-based perspectives beyond conformity in organizations are able to bring social justice that values the ethical ''worth'' – i.e. moral mindfulness – of individuals within [and of] organizations. In addition, one could question what specific organizational cultural features may facilitate or dampen that transformation process. More specifically, further research should question whether there exists specific characteristics in the organizational DNA that may favor or block the transformation to an improved level of moral mindfulness. Moreover, such research that focuses on ethics and moral mindfulness could be applied as well to the issue of environmental responsibility and ecological mindfulness. In other words, another research question is to explore to what extent social justice does imply ecological sustainability within organizations.

Notes

[1] See O'Brien (2001). It seems that people work best when they can trust their fellow workers, when they have collective goals and objectives and when leaders are part of the team and share their values. Moreover, employees need to be recognized for doing a good job and their success need to be communicated as well as failure. Finally, employees' tasks need to be clearly defined and employees should be involved in and need understand possible change. It seems also important that employees share in the success of the company. All those characteristics are ingredients for improving trust within organizations.

[2] See Schein (1992, p. 12). A culture or a group (i.e., organizational culture) is defined as ''a pattern of basic assumption – invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal interpretation – that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think, and feel in relations to these problems.'' We define values of a firm as a set of shared beliefs about how the firm should serve its major stakeholders (customers, employees, shareholders). Culture is how shared values and beliefs are translated into how things are done and how people behave.

[3] The Melbourne Cup, for example, a horse race run on the first Tuesday in November each year at Flemington in Melbourne Australia, would make all Australian employees liable of gambling on that cultural day. However, the Melbourne Cup represents nothing less than an Australian cultural tradition, as it has been run every year since 1861, through both World Wars and the Great Depression. The code of most companies in Australia would allow their employees to be actively ''engaged'' in that cultural activity on that day. Given the cultural and historical importance of the Melbourne Cup in Australia, Melbourne Cup sweeps are permitted in Australian workplaces on Cup Day by about all multinational companies operational in Australia, with site leader approval, provided that the practice does not offend against local laws, that stakes are small and that holding the sweep does not significantly impact on company time.

[4] Quite a number of recent fraudulent corporate cases in Australia, such as the bankruptcy of HIH (Insurance) and the international corruption case of the Australian Wheat Board could have been avoided if conscientious managers would have spoken out against their fear of being rebuffed or punished by top management, or more basically if managers would have been aware of ethical wrongdoing in the first place (see Bartos, 2006; Volcker, 2005 report) not to mention the possible pressure on the respective CEOs and managers by politicians involved in and, thus, complicating the decision process. Similarly, Parmalat, Enron, WorldCom, Tyco – to just name a few – are companies that have shaken the trust and confidence in business over the last couple of years (see O'Brien, 2003; Clarke, 2007; Porter and Kramer, 2006).

[5] See Bird (1996, p. 127). Generally speaking, it is wrong to be morally silent when not raising questions,

not voicing criticisms, not speaking up for ideals, not bargaining strongly enough in support of ones' moral beliefs, not holding others morally accountable, or camouflaging one's genuine moral commitments. It is ethically wrong to be silent because (1) from a utilitarian perspective harm could occur; (2) because silence in practice often represents a form of deceit; and (3) and because failure to speak up and speak out is often self-compromising. Obviously, moral silence has a couple of direct "harmful" consequences: wrongs and moral issues are not addressed; accountability problems are aggravated; moral stress is increased; moral resources are ignored and neglected; extraneous transactional costs are increased and the role of ethics is marginalized and confused. In some exceptional cases, one could defend some form of moral muteness such as in the process of negotiating where no full disclosure or transparency is expected or is desired. Another exception to justify moral silence is in the case of possible defamation caused by speaking out, and when one has promised to keep certain secrets. Despite these exceptions that are relative and certainly not absolute, the basic principle is not to be morally silent because of harmful consequences, and because in practice it often takes the form of passive or active deception and self-compromising.

[6] Ethics need to be institutionalized to make executives and employees corporate citizens. The question remains what ethical perspective should prevail in an organization. Business ethicists usually distinguish three to four main perspectives, despite the fact that ethical behavior cannot be guided by one specific single standard only. The Aristotelian picture of the good life portrays a unity of the virtues under the guiding light of practical wisdom (in contrast to theoretical wisdom). Aristotle argued that contemplating activity – what we call a higher awareness – characteristic of the highest virtue. From such a perspective, executives concentrate on developing virtuous character, and, in thus, on being good. The second deontological perspective refers to a Kantian integration of life where the respect for persons as rational beings is stressed with a special dignity and, in the light of the requirements for respecting this dignity, on internalizing principles that we can rationally justify as universal. The Kantian perspective concentrates on the quality of our acts, whether beneficence or harmfulness, truthful or deceitful. However, the deontological perspective is often considered as too arcane to many executives. A more intuitive pragmatism combines universal fundamental values with some common sense thinking. The fourth results-oriented perspective is a business-minded consequentialism – based on Bentham's and Mill's utilitarianism – where the focus is on the results of one's ethical action or behavior. Mill's view calls for a democratic society that insists on education to enable executives to make the needed comparisons with an emphasis on producing as much good as possible – often interpreted as the elusive notion of happiness.

[7] Goodpaster (2000) describes four main characteristics of corporate ethical awareness: reflectiveness (a cultural disposition to encourage periodic relief from the goal-directedness and busy-ness of everyday worklife), humility (that is reinforced by corporate communication channels and employee development efforts aimed at confirming and clarifying the ethical values of the company in specific contexts), anticipation (that avoids loss of awareness through attentive recruiting, promotions, and succession planning), and community involvement (that expresses an institutional manifestation of what for individuals is an acknowledgment of connectedness and some degree of responsibility for the well-being of the surrounding social system).

[8] For example, when we move in a higher gear when driving, we do this automatically without consciously "thinking" of the activity. If we were to focus on thinking about moving to another gear, it would be achieved less fluidly, if at all. Such knowledge has been incorporated and internalized to such an extent that persons "intuitively" do, act or behave in a certain manner.

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