

Ethics and corporate responsibility

When Mars meets Venus

Are corporate compliance and ethics programmes linking up with corporate responsibility? Yes, a bit, says Phil Rudolph

Over a decade ago, a psychotherapist named John Gray authored a wildly successful book entitled “Men are From Mars, Women are From Venus”, in which he set out to explain the difference between the sexes in order to improve communications between them. I thought about this book in the wake of a recent benchmarking study that my company conducted.

The study focused on the ethics and compliance activities of the companies in a global consumer industry sector. When I refer to “ethics and compliance activities”, I’m referring to “small e” ethics rather than “large E” Ethics.

Specifically, I’m discussing the “ethics” of the American business lexicon, which is directed towards how companies assure that their employees behave responsibly towards the business itself by, for example, protecting insider information, treating each other with respect, not stealing trade secrets, not violating competition laws, etc.

Our study explored what each participant company does in eight key areas discussed in the US Sentencing Guidelines for Corporations. These cover programme structure, communications, training, auditing, monitoring, integration into the business, tools for employee communication of issues and concerns, and risk management.

One noteworthy finding was that the US-based companies do not, for the most part, integrate their “small e” ethics activities with their corporate responsibility activities.

Make no mistake – most of these companies engage in corporate responsibility stewardship, and have staff to oversee such stewardship. But the twains don’t meet. At best, ethics officers interact with their CR counterparts to provide some content for the company’s annual citizenship reports.

Slowly, slowly

At a very few companies, ethics officers are beginning to play a more active role in supplier compliance efforts. But overall, they may as well be from Mars and Venus.

There was one notable outlier. This company’s “ethics” function and its corporate responsibility function are seamlessly integrated. The de facto “ethics officer” also has responsibility for corporate responsibility, ethical sourcing, human rights, sustainability reporting, stakeholder engagement, and the “pyramid strategy” for determining how the company can help serve the world’s poorest communities.



Is there a third way?

Oh yes, did I mention that 13 of the 15 participating companies are US-based multinationals? The remaining two are European. Guess the home continent of the outlier. (I’ll give you a hint – it’s not North America.)

Now I’ll be the first to acknowledge that our sample size is anything but scientific. But our findings support a general perception that European companies are far more holistic and integrated in their approach to “large E” ethics than their US counterparts.

Why the difference? I suspect much flows from a legal and regulatory climate in the US that drives a structured approach to corporate ethics but is far less prescriptive about other corporate responsibility issues. This has produced functions that emerged from different drivers and have therefore evolved separately from one another, much like an oyster may produce two pearls where separate and distinct irritants trigger their growth.

In Europe, by contrast, “large E” business ethics appears to have evolved from more unitary cultural sources, rather than fragmented cultural and legal triggers.

Why is this important? Because both the ethics and the corporate responsibility functions in US companies play a critical and wholly complementary role

in managing and protecting business risk and reputation, and because their effectiveness is almost certainly compromised when they do not work together. Indeed, every ethics officer we spoke with acknowledged the need for closer integration between their function and that of their CR counterparts.

Our study hinted at a slowly emerging convergence of ethics and corporate responsibility in US business. If so, this can’t occur soon enough.

As Dr Gray would no doubt acknowledge, until Martians and Venusians begin to understand each other and improve communications, progress is difficult. But when the walls come down, great things can happen. ■

Every ethics officer acknowledged the need for closer integration between their function and that of their CR counterparts

Phil Rudolph is vice-president and general counsel of Ethical Leadership Group, an ethics and corporate responsibility consultancy based in the United States.
phil@ethicalleadershipgroup.com
www.ethicalleadershipgroup.com