10 Looking Forward

Mike Householder/Associated Press

Learning Outcomes

After reading this chapter, you should be able to do the following:

- Summarize potential ethical risks in business by recognizing relevant issues, performing environmental scanning, and identifying reliable resources for uncovering future misconduct risks.
- Analyze how trends in the economic, geopolitical, social, and technological environment lead to ethical issues in business.
- Evaluate how emerging ethical issues affect the ethics and compliance function in an organization.

Introduction

Self-Driving Cars

Imagine driving along a winding mountain pass, with a ravine on the right and a rock wall across the opposite lane on the left. Taking a sharp turn around the mountain, you see two cars coming toward you in both lanes, one trying to pass the other. In seconds, each driver must react. You slam on the brakes, hoping that the other cars adjust to allow the passing car to move out of your lane.

Now imagine the same situation, except this time you are in a self-driving car, taking photos of the scenery as you tour through the mountain pass. The car relies on radar sensors, lasers, and cameras to keep the vehicle on a path to the designated destination (Greimel, 2013). Turning the corner, the directional equipment cannot see around the mountain, but recognizes an obstacle immediately. The computer controlling the car must now react. The decision to stop or swerve can lead to a potentially fatal accident or save all passengers. Your life and the lives of others depend on the computer program designed and installed by the automaker. Do you trust the automaker to keep you safe?

Automakers are racing to launch self-driving, or autonomous, cars by the year 2020. Some models already feature technology that allows them to park themselves, warn of lane departures, detect a vehicle in blind spots, and slow or stop to avoid an obstacle even before the driver reacts. Such measures have already reduced traffic accidents in the United States, and studies predict “that if just 10% of the cars in the U.S. were autonomous, there would be 211,000 fewer accidents annually, and 1,100 lives would be saved each year” (Tuttle, 2013, para. 7). Other advantages include greater use of fuel resources and greater mobility for persons with disabilities.

However, there are ethical challenges to market a car that requires little or no driver intervention (Newman, 2014). What would prevent a car manufacturer from programming the car’s route so passengers will pass sponsoring businesses? The safety features in existing cars emit warnings and require driver intervention. As technology progresses toward a more autonomous car, drivers may become accustomed to being able to read, work, or perform other tasks while the vehicle transports them to their destination. Distracted drivers are less likely to react quickly should they need to take control of the vehicle (Knight, 2013).

Who is at fault when the car advises the driver to take control, yet the driver does not, or does not have enough time to do so? How should the system choose between its passenger’s safety and someone else’s life in an oncoming vehicle? The issue is further complicated by the complexity of the electronics and communications, and reliance on transportation infrastructure, all of which increase the potential for system malfunction or hacking. As one researcher stated, “Every company wants to have the first self-driving car, but no one wants to have the first self-driving car crash” (Iozzio, 2014, p. 20).

The general concept behind an autonomous car is that it is a robot designed to transport humans and protect them in the process. In the 1950s, science fiction author Isaac Asimov created the three laws of robotics to outline the ethics of robotics when interacting with humans:

1. A robot may not injure a human being or, through inaction, allow a human being to come to harm.

2. A robot must obey the orders given to it by human beings, except where such orders would conflict with the First Law.
3. A robot must protect its own existence as long as such protection does not conflict with the First or Second Laws. (Anderson, 2008, pp. 477–478)

Advances in technology to develop robotic weapons test Asimov's premise of doing no harm.

A robot is defined as "a mechanical device having a reasonably high level of intelligence, the ability to make elementary decisions, and the dexterity and flexibility to perform an intricate sequence of different motions without human intervention" (Leap & Pizzolatto, 1983, p. 697). Robots perform many tasks in manufacturing, surgery, and the military. Why, then, would an autonomous car be different?

First introduced by moral philosopher Philippa Foot in 1967, the *trolley problem* is a thought experiment that may shed some light on the moral decisions imposed on the robotic car by its creators (Myers, 2014). Imagine you are standing near a train yard where you witness a runaway trolley careening down the track toward five people who will die unless the train changes direction. You notice a lever that you could pull to switch the trolley to a side track, where a sixth person is standing and who would surely die should the train be diverted. Your options, then, are to do nothing and allow five people to die, or pull the lever and cause one person's death. When presented with this scenario in a research setting, subjects typically rely on moral reasoning and moral emotions to determine a course of action (Lanteri, Chelini, & Rizzello, 2008). In a similarly complex dilemma, what could a robotic car rely on to make the most ethically sound decision?

This chapter explores the future trends in business and society that are likely to create new ethical issues for organizations. The material evokes reflection on two questions: What are the potential risks for ethical misconduct in the future? How will changes in the workplace influence organizational ethics programs? The chapter presents tools to identify ethical issues that a business may encounter in the future. Emerging issues are explored that relate to future workforce transitions, business models, and technological advances. Then, approaches that an ethics and compliance program may use to address new ethical issues are considered. The discussion in this chapter builds on the historical background of business ethics in the first chapters as well as topics relating to the identification of ethical issues, ethical decision making, and ethical traps. Looking forward requires understanding the past.

10.1 Identifying Ethical Risks of the Future

Business leaders can detect early warnings of the ethical risks of the future by monitoring an organization's internal and external environments for the ethical dimensions of business strategies. Recall from Chapter 3, ethical dimensions of business are described as what ought to be and include value judgments rather than data-driven factual dimensions (Grier, 2013). Exploring the ethical dimensions of business requires reflection beyond the immediate business activity and considers the long-term effects on stakeholders and the organization. Additionally, Chapter 3 introduced environmental scanning as an organizational process that enables companies to identify political, social, and technological trends that could influence misconduct in the workplace. Business strategists recognize environmental scanning that incorporates stakeholder analysis as the foundation for corporate planning of successful organizations (Bluedorn, Johnson, Cartwright, & Barringer, 1994; Kimiagari, Keivanpour, Mohiuddin, & Van Horne, 2013).

As discussed in Chapter 1, social issue life cycle theory asserts that attention to ethical issues changes over time, progressing from relative inattention to an ethical issue, to awareness of the issue, and finally to an expectation for responsible behavior by the public or other company stakeholders (Ackerman, 1975; Zyglidopoulos, 2003). Therefore, ethical issues become more important to certain stakeholder groups. **Ethical issue intensity** describes the perceived relevance or importance of an ethical issue to individuals or groups (Ferrell, Fraedrich, & Ferrell, 2013). Managers need to develop capabilities to identify the ethical issues that require attention and action.

This section provides strategies for managers to identify future ethical issues that require a response from their organization. Environmental scanning for ethical dimensions includes engaging stakeholders and recognizing that ethical issue intensities will shift over time (Bowie & Dunfee, 2002; Crittenden, Crittenden, Pinney, & Pitt, 2011). A framework is offered to determine appropriate company responses to moral pressures from the public and company stakeholders. The section concludes with a guide of credible and reliable resources to identify emerging ethical issues.

Recognizing Relevant Ethical Issues

Managers may not have the time and resources to prepare for every potential ethical issue. Meyer and Kirby (2010) have identified three factors that create demand for businesses to address an ethical issue: 1) the growing *scale* of companies and their impacts, 2) improvements in *sensors* that measure impacts, and 3) heightened *sensibilities* of stakeholders. Managers should consider these factors in predicting ethical issues that are relevant to their business.

Scale reflects the recognition that a firm or industry can have a large impact on the environment, people, and the economy. Larger companies are often under greater public scrutiny as irresponsible actions (e.g., pollution, labor violations, or false advertising) impact a larger number of people. For example, a Chinese media report exposed the unsafe practices of a meat factory supplying American fast food chains in Shanghai, China, including reusing meat that had fallen on the floor and selling expired meat products (Solomon, 2014). The factory was not acting with integrity and misrepresented the safety and freshness of meat sold to customers. The food safety violations may not have been noticed if it were not for the factory's connection to McDonald's and KFC restaurants in the Shanghai area. The two fast food chains have more than 8,000 restaurants in China and have struggled with food safety scandals in their supply chain since 2012.

Companies can predict future ethical issues relating to the scale of their business by recognizing the resources that comprise the largest part of the company's product or service. For example, beef and chicken are main ingredients for McDonald's flagship items, making unsafe food practices of a meat supplier a relevant ethical issue to which the company must respond. Increasingly, consumers and the public tend to hold a firm responsible for not only its own but also its suppliers' unethical behaviors (Hartmann & Moeller, 2014). Ethical issues in global supply chains include unsafe work environments, human rights violations, harmful environmental outputs, and poor product quality or output. Ethical issues with procurement of other key ingredients, such as potatoes, may warrant attention by fast food companies. These companies and others may find that their global workforce has grown so large that monitoring ethical conduct becomes more challenging.

Sensors refer to technology that measures actual outcomes of an industry or individual company and provides the ability to track sources of misconduct directly to the source company. As discussed in Chapter 3, new technologies, such as keystroke monitoring, global positioning systems (GPS), and radio frequency identification (RFID) chips, can detect misuse of proprietary data or fraud. These sensors can track misconduct throughout a company's supply chain or measure the impact of a company's misconduct. For example, radiation sensors and GPS tracking on moving vehicles provided an accurate reflection of the damage to residents from Japan's nuclear plant explosions in 2011 due to a safety failure of emergency systems (Hemmi & Graham, 2014).

Heightened sensibilities for an ethical issue relate to the expectation for responsible behavior by the public or other company stakeholders. Managers should seek ethical issues that could arise from the business strategy, including the entire value chain. For example, Oxfam International and Human Rights Watch enacted a boycott to force Indian rug producers to abandon the use of child labor that violates global ethic standards (see Chapter 4) such as the Global Sullivan Principles, the Fair Labor Association Workplace Code of Conduct, the United Nations Global Compact's Ten Principles, and Social Accountability International's SA8000 Standard (Ballet, Bhukuth, & Carimentrand, 2014). The boycott affected importers and retailers of Indian rugs as well, and encouraged them to purchase only from certified rug producers. Managers can recognize relevant emerging ethical issues by looking for future shifts in stakeholder priorities, potential legal action by stakeholders, and ethical misconduct throughout the supply chain.

Environmental Scanning of Stakeholders and Ethical Issue Intensity

Responding to the moral judgments of consumer, labor, and investor stakeholders is a challenge for many companies that may be pressured to address societal issues, such as animal testing, abortion, homosexuality, equal opportunity, alcohol and tobacco use, human and worker rights, and gun control. Management should ask, "How have stakeholder expectations changed?" to recognize shifts in stakeholder attitudes toward an ethical issue (Meyer & Kirby, 2010, p. 43). As the intensity of an issue grows, company stakeholders increase pressure for a business to act responsibly by expressing their moral judgment on the issues. However, despite the pressure, a company may not be able to act on the moral judgments of all stakeholders. Bowie and Dunfee (2002) provide a framework to categorize moral pressures on business and appropriate responses as depicted in Table 10.1.

Table 10.1: Strategies for responding to moral expressions of company stakeholders

Type of Moral Expression	Moral Expression Is . . .	Examples	Recommended Strategy
Benign	Inarguably consistent with universal principles (ethical principles with which most people agree)	Pressure on tobacco companies to provide clear, dramatic warnings about health effects; investor pressure for transparent financial reporting	If expressed as a mandatory duty, firm has an obligation to act in compliance
Disputed	A contested issue within the relevant community that is not resolved by manifest universal principles; an idiosyncratic context-specific issue	Shareholders or employees demanding that their firm stop giving corporate money to Planned Parenthood based on antiabortion views; employees objecting to a policy requiring that frequent flyer miles earned on firm business are given to the firm, which they find to be unfair	Act consistently with core values of the firm
Problematic	Inarguably inconsistent with universal principles	Employees, unions, and customers demanding racial discrimination	Resist compliance

Source: Adapted from Bowie, N., & Dunfee, T. (2002). Confronting morality in markets. Journal of Business Ethics, 38*(4), 381–393.*

Benign moral pressures reflect widely accepted ethical principles, such as a desire to protect human well-being and provide a safe workplace. As introduced in Chapter 1, these universal principles are hypernorms, described as “principles so fundamental that, by definition, they serve to evaluate lower-order norms, reaching to the root of what is ethical for humanity” (Donaldson & Dunfee, 1999, p. 46). Managers may consider that a business activity is widely accepted by most people when it is mandated by regulation, industry practice, or global ethical standard. For example, the right to a safe and healthy working environment is recognized as a fundamental human right by the International Labour Organization, a United Nations agency (ILO, 2011). In response, many nations have regulations on occupational health and safety. Bowie and Dunfee (2002) encourage companies to comply with benign moral pressures, especially those mandated by law.

Disputed moral pressures arise when one segment of the public opposes the position of another segment. In addition to the societal moral issues that have been mentioned, disputes on the fairness of employee policies or corporate governance practices can create emerging ethical issues. The best course of action for companies is to follow their core values in determining appropriate actions.

Problematic moral pressures center around what is "ethical for humanity" (Donaldson & Dunfee, 1999, p. 46), and typically occur when a company or its stakeholders demand an activity that violates a universal ethical standard, such as discriminating according to race or engaging in slave labor. Even organizations with strict policies consistent with universal values can experience a shift in ethical standards in response to influential dominant stakeholders (Sawaoka, Newheiser, & Dovidio, 2014). One example is supplier pressure to allow child labor in order to reduce manufacturing costs.

Credible and Reliable Resources

Responsive companies may be able to anticipate benign, disputed, and problematic pressures by regularly scanning the credible and reliable resources available within the internal and external environment. Regular review of company sources, such as common helpline topics, misconduct reports, exit interviews, and employee/supplier surveys, may offer valuable insight into ethical issues that are emerging internally within the organization. There are numerous sources to gather information from the external environment, including news media and business journals. A suggested practice is for managers to subscribe to newsfeeds of business, ethics, and compliance outlets for alerts to regulatory shifts, industry practices, and reported misconduct. These daily or weekly reminders can generate dialogue among management as to possible application within the organization.

Credible public news outlets can indicate shifts in public opinion especially with the recent growth in **user-created content** on news media online editions. The Organisation for Economic Co-operation and Development (OECD) defines user-created content as: "a) content made publicly available over the Internet, b) which reflects a certain amount of creative effort, and c) which is created outside of professional routines and practices" (OECD, 2007, p. 4). A 2014 Pew Research Center study reports that "11% of all online news consumers have submitted content (including videos, photos, articles, or opinion pieces) to news websites or blogs" (Mitchell, 2014, p. 5).

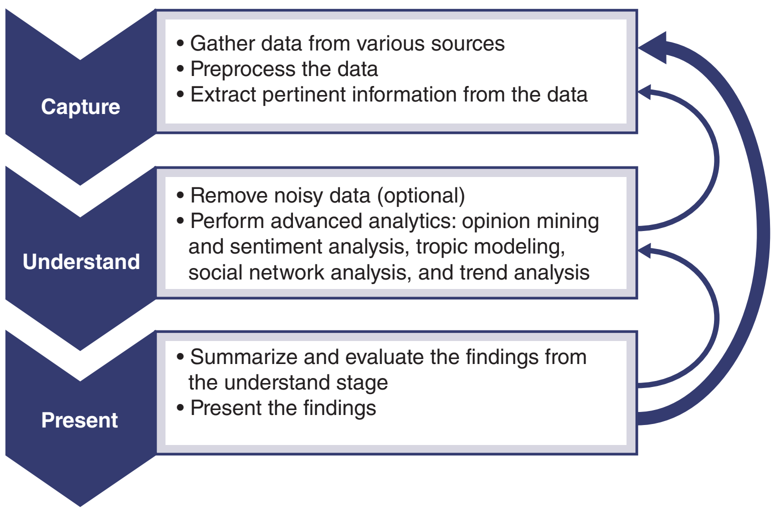
User-created content on social media (websites for social networking) provides management with valuable information on the opinions of customers, employees, suppliers, competitors, and the public. Fan and Gordon (2014) recommend the use of **social media analytics**, which 'involves a three-stage process: capture, understand, and present" (p. 74) (see Figure 10.1). Social media analytics is the interpretation of social media data to "extract useful patterns and intelligence," going beyond simply tracking traffic to an Internet site (Fan & Gordon, 2014, p. 74).

The first step is to discover and collect messages from social websites through **social media monitoring**. One challenge encountered in this step is sifting through the large amount of irrelevant material that may be collected. The second step is to interpret the meaning of the social media content using techniques for categorizing opinions, and analyzing sentiments and trends in an effort to predict shifting customer, supplier, employee, and community expectations of the company (Kalampokis, Tambouris, & Tarabanis, 2013). Finally, when presenting trends in emerging ethical issues, companies will focus on identifying potential risks and opportunities. For example, increasing public concerns about improper disposal of consumer electronics leaking toxic chemicals into the environment encouraged companies to offer trade-in or removal services when purchasing a new product (Fan & Gordon, 2014).

While useful, organizations should consider user-created content with care as it tends to reflect the beliefs of individuals with strong convictions rather than those of the general population (Eveland & Shah, 2003; Yildirim, Gal-Or, & Geylani, 2013). User-created content also tends to reflect a younger and more technologically-savvy individual who may not represent public opinion. For example, during the days following the 2012 elementary school shooting in Newtown, Connecticut, the Pew Research Center found that while nearly two thirds of those who posted related comments on Twitter expressed support of stricter gun control, its public opinion polls during the same period indicated a more equal split with 49% supporting gun control and 42% opposing stricter gun controls (Matsa & Mitchell, 2014). In addition, when interpreting reader reactions to media coverage of various issues, companies must bear in mind the potential for bias in the U.S. news media toward liberal or conservative social causes (Eveland & Shah, 2003; Sutter, 2012).

Figure 10.1: Social media analytics process

A social media process entails three stages designated to capture, understand, and present information on consumer and social trends affecting the business.



Source: Weiguo, F.A.N., & Gordon, M.D. (2014). The power of social media analytics. Communications of the ACM, 57*(6), 74–81. Reprinted with permission of The Association for Computing Machinery.*

A wide range of non-media organizations, such as nonprofit research centers, communities of practice, non-governmental organizations (NGOs), and think tanks, provide valuable information on emerging ethical issues that may affect businesses. The U.S.-based Ethics Resource Center and the European-based Institute for Business Ethics are examples of nonprofit ethics research organizations that offer insight into misconduct in the workplace. A **community of practice** is often described as a group of people "who share a concern, a set of problems, or a passion about a topic, and who deepen their knowledge and expertise in the area by interacting on a regular basis" (Wenger, McDermott, & Snyder, 2002, p. 4). Some communities of practice are informal social networking groups, while others are members only, requiring an annual fee to participate.

An example of an organization that provides executive networking opportunities to understand and address critical issues is The Conference Board, Inc. (The Conference Board, 2014). Another community of practice is the Corporate Executive Board Company (CEB), which offers networking opportunities by function, including ethics and compliance officers (CEB Compliance & Ethics Leadership Council, 2014). These networking opportunities allow professionals to discuss what ethical issues create concerns for their businesses. As an NGO, the United Nations Global Compact provides companies with guidance on responsible business practices worldwide with special working groups to explore key issues.

Think tanks are groups of experts who research technological and social problems with the goal of generating creative solutions and offering advice. Think tanks often rely on membership and sponsorship from companies and/or academic institutions. For example, a resource for identifying threats to businesses worldwide is the Council on Foreign Relations (CFR), an independent, nonpartisan membership organization, think tank, and publisher of *Foreign Affairs* magazine. CFR's website includes an interactive global conflict tracker, which provides a view of perceived security threats worldwide (see Figure 10.2 for a screenshot of CFR's interactive Global Conflict Tracker). The threat analysis is a summary of CFR's annual Preventive Priorities Survey, which asks governmental officials, experts, etc. to assess the likelihood of occurrence of a major threat in the following 12 months. A major threat includes cyber attacks against business and governmental websites, and computer databases (Council on Foreign Relations, 2014). In 2013, extensive attacks on banking databases and public websites in South Korea and the United States disrupted banking transactions and risked consumer information (Sang-Hun, 2013; Gorman & Yadron, 2013).

Figure 10.2: CFR interactive Global Conflict Tracker

Global assessment of crisis risks provides early warnings of threats to business.

Source: From CFR's Global Conflict Tracker from the Center for Preventive Action. Copyright © 2015 by the Council on Foreign Relations. Reprinted with permission.

Table 10.2 summarizes credible and reliable resources to identify emerging ethical issues for an organization.

Table 10.2: Sample resources for identifying emerging ethical issues

Resources	Example Sources	Consideration for Use	Suggested Practices
News media	*The New York Times* *The Wall Street Journal* *Financial Times* *The Economist* *Forbes*	Bias in coverage and position; user-generated content provides reader opinions	Monitor multiple news sources for balancing biases
Ethics/corporate social responsibility (CSR) magazines	Ethisphere Institute Ethical Corporation	Provides industry best practices and emerging issues	Distribute beyond the ethics and compliance or social responsibility staff
Interactive forum/ online newswires	CSRwire The GRC Digest Law.com newswire	Provides timely notice of regulatory shifts, industry practices, and ethical misconduct	Share with management throughout the organization and encourage dialogue on application to the business
Social media	Twitter, Inc. Facebook, Inc. LinkedIn Corporation Foursquare Manta YouTube	Valuable insights into changing consumer interests and tastes, influential users, potential crises, and competitive intelligence; may not reflect public opinion	Adopt social media monitoring and analytical tools to identify ethical issues relating to industry or company
Nonprofit research centers	Ethics Resource Center Institute of Business Ethics	National surveys provide information on types of misconduct and reporting barriers	Review trends that signal a shift in what employees consider unethical behavior
Communities of practice	The Conference Board CEB Business for Social Responsibility European Business Ethics Network	Allows ability to dialogue with peers; costly	Select an organization that fits the industry or primary focus of ethics and CSR initiatives
NGOs and think tanks	UN Global Compact Transparency International Council on Foreign Relations The World Economic Forum	Publicly available studies identify emerging opportunities and risks for business; need to interpret ethical dimensions	Determine gaps in ethics and compliance program given new issues

Management should consider how the global trends in the economic, geopolitical, social, and technological environment affect existing or future stakeholders of the organization. The World Economic Forum, a global think tank located in Geneva, Switzerland, provides a comprehensive overview of economic, environmental, geopolitical, societal, and technological risks that have the potential for "significant negative impact for several countries and industries" (World Economic Forum, 2014b, p. 12). A complete listing from the Global Risks 2014 report is included in Table 10.3, along with the ranking of the top 10 global risks of highest concern. The report identifies three trends that industries should consider:

1. Demands on governments for reform may negatively affect industries such as healthcare, financial services, and energy;
2. The generation entering the workforce in the 2010s faces high unemployment, unfulfilling economic potential, and are full of ambition to improve the world;
3. A dynamic online world allows for cyber attacks that destroy trust in the Internet for communication or commerce (World Economic Forum, 2014b).

Table 10.3: Global risks 2014

ECONOMIC
Shocks to economic infrastructure
Fiscal crises in key economies [1]
Failure of a major financial mechanism or institution [9]
Liquidity crises
Structurally high unemployment/underemployment [2]
Oil-price shock to the global economy
Failure/shortfall of critical infrastructure
Decline of importance of the US dollar as a major currency
ENVIRONMENTAL
Natural disasters and man-made risks of depletion of natural resources
Greater incidence of extreme weather events (e.g. floods, storms, fires) [6]
Greater incidence of natural catastrophes (e.g. earthquakes, tsunamis, volcanic eruptions, geomagnetic storms)
Greater incidence of man-made environmental catastrophes (e.g. oil spills, nuclear accidents)
Major biodiversity loss and ecosystem collapse (land and ocean)
Water crises [3]
Failure of climate change mitigation and adaptation [5]
GEOPOLITICAL
Areas of politics, diplomacy, conflict, crime, and global governance (corruption)
Global governance failure [7]
Political collapse of a nation of geopolitical importance
Increasing corruption
Major escalation in organized crime and illicit trade
Large-scale terrorist attacks
Deployment of weapons of mass destruction
Violent inter-state conflict with regional consequences
Escalation of economic and resource nationalization

(continued)

Table 10.3: Global risks 2014 *(continued)*

SOCIETAL
Risk relating to social stability and public health
Food crises [8]
Pandemic outbreak
Unmanageable burden of chronic disease
Severe income disparity [4]
Antibiotic-resistant bacteria
Mismanaged urbanization (e.g. planning failures, inadequate infrastructure and supply chains)
Profound political and social instability [10]
TECHNOLOGICAL
Risks relating to growing centrality of information and communication technologies
Breakdown of critical information infrastructure and networks
Escalation in large-scale cyber attacks
Massive incident of data fraud/theft

Note: Brackets [ ] denote ranking in top 10 global risks of highest concern.

Sources: Table 1.1 & Table 1.2, p. 13 in World Economic Forum. (2014). Global risks 2014 (Ninth ed., pp. 60). Switzerland. Reprinted with permission.

The potential global risks have ethical dimensions. Using the categorization of ethical issues from Chapter 3, many of the global risks to business involve employee misuse of company resources, honest and truthful communication that demonstrates respect and fairness toward company stakeholders, and workplace issues, such as lying to employees, discrimination leading to improper hiring practices, abusive behavior and harassment, health or safety violations, and employee privacy breaches. Future risks and opportunities for a business organization can lead to new ethical issues that may require managers to adopt a different way of interacting with stakeholders.

10.2 Emerging Ethical Issues

Managers need to focus on the emerging ethical issues that are most relevant for their organization. The trends and risks uncovered in the environmental scanning of credible sources can determine the ethical issues that are most likely to affect a business. This section provides some examples of ethical issues that a manager may need to address in the future. An organization's evaluation of ethical risks is ongoing and should not be limited to the emerging ethical issues in this chapter. Managers can develop the capabilities to identify potentially significant ethical issues by exploring current trends in business, such as workforce transitions, new business models, and communication and technological advances.

Workforce Transitions

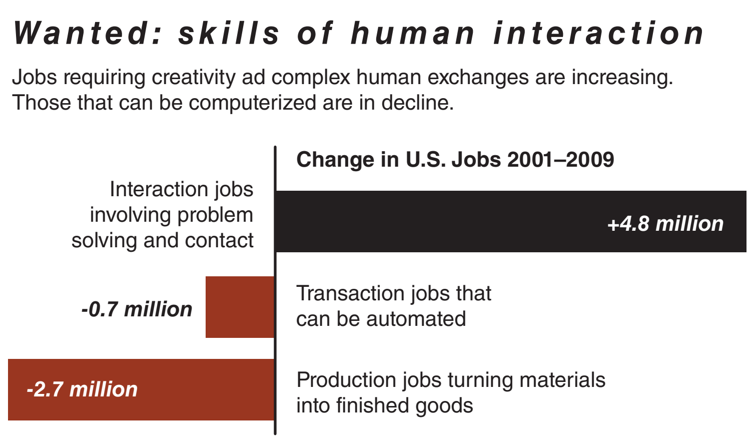
New ethical issues emerge as companies respond to a changing workplace. In many countries, service-related jobs are replacing manufacturing jobs, thus creating a demand for workers with higher education degrees and technological skills. Companies in developed countries need to adapt to an aging workforce that requires new approaches in assuring the health, safety, and well-being of employees. Workforce planning for future ethical concerns includes assessing the current workforce, identifying challenges in future workforce skills, and anticipating legal obligations in recruiting and hiring employees (Crush et al., 2014).

As identified by the World Economic Forum (2014b), one of the top global risks is severe income disparity. Wage inequality can be accounted for in large part by the growing trend toward a services-occupation economy, which is divided into the lower paying routine jobs on one end of the spectrum and the higher paying managerial or consultative jobs on the other. The shift toward lower wages for certain services began in the 1990s as companies began outsourcing janitorial and security services in the United States by contracting with private companies that often pay lower wages and do not offer employee benefits. One study found that janitors received up to 7% less in wages after outsourcing, whereas security guards saw wage losses in the 8% to 24% range (Dube & Kaplan, 2010). A survey of hiring managers worldwide has shown that over the next five years, more than half of all jobs in the United States will require technical skills and higher education levels (Mulvey & Schramm, 2013). The report found that industries demanding specific technical skills or advanced college education include high tech, manufacturing, health, construction, mining, and oil and gas.

Entry-level jobs and jobs with no minimum education requirements are primarily in the nonprofessional services industry, with the lowest paid employees working in retail and food preparation (Bureau of Labor Statistics, 2014a). Colvin (2014) provides support for a trend that companies are replacing many low-skilled jobs with technology whenever possible. The jobs that remain typically require creativity and human interaction (as shown in Figure 10.3).

Figure 10.3: Shift of U.S. jobs 2001–2009

Jobs requiring creativity and human exchanges are increasing in the U.S.



Source: Colvin, G. (2014). In the future, will there be any work left for people to do? Fortune, 169*(8), 193–202.*

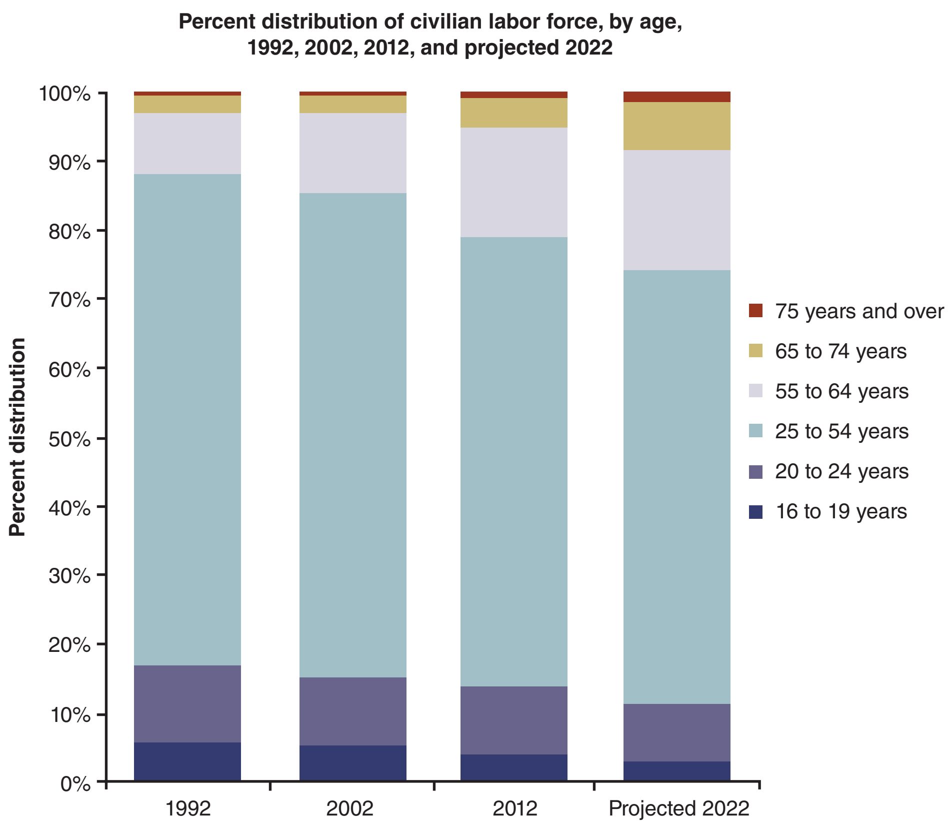
As a result of the wage disparity, companies will likely face emerging ethical issues when employing unskilled workers. Those who manage to find low paying jobs are likely to experience major financial and mental stress as they struggle to balance family and work, leading to depression, high absenteeism, and turnover (Devine et al., 2006; Henly & Lambert, 2014;

Okechukwu, El Ayadi, Tamers, Sabbath, & Berkman, 2012). Financial stress may also lead to stealing from the workplace or using company time for personal concerns, such as making phone calls home during working hours.

In many developed countries, the working age population is becoming older. By 2025, 35% of the workforce in most countries of the European Union (EU) will be comprised of 50- to 64-year-olds, compared to 17% of workers who are 25 years old and younger (European Commission, 2014). In the United States, employees aged 55 and over are expected to comprise over 25% of the workforce by 2022 (Bureau of Labor Statistics, 2014b). Figure 10.4 depicts the trends of an aging workforce in the United States, showing an increase from 1992, in which older workers comprised only 11.8% of the workforce.

Figure 10.4: Trends of aging workforce in the United States

The share of labor in the United States is projected to rise for people age 55 and over.



Source: Bureau of Labor Statistics. (2014a). The editor's desk, share of labor force projected to rise for people age 55 and over and fall for younger age groups. Retrieved September 2, 2014, from http://www.bls.gov/opub/ted/2014/ted_20140124.htm.

Now that very few U.S. companies offer pension plans, and Social Security benefits are dwindling, many older workers are putting off retirement. The effect on business is unclear. In many countries, age discrimination in hiring occurs due to stereotypes that older workers are resistant to change, less likely to cope with stress, and less productive (Karpinska, Henkens, & Schippers, 2013; Vandenberghe, Waltenberg, & Rigo, 2013). A European study supporting such stereotypes showed that older workers in one organization tend to engage in **counteractive communicative behaviors** that prevent teams from creating ideas, finding solutions, and productive discussion (Schulte, Lehmann-Willenbrock, & Kauffeld, 2013). Counteractive communication includes statements expressing no interest in change, complaining, denying responsibility, or terminating the discussion, such as “Well, that’ll never happen,” “We’re always the ones who get bullied,” and “That’s the supervisors’ fault” (Schulte et al., 2013, pp. 948–949). Ethical issues relating to discrimination and harassment can erode trust in the ethical culture of the company. Organizations like AARP, Inc. (formerly the American Association of Retired Persons) offer advice for companies to help them address the effects that aging workers have on their organization and steps for creating a culture that attracts qualified workers of all ages (AARP, 2014).

The workplace of tomorrow may look very different from today. Companies are expecting more output from employees as technology enhances productivity, allows older workers to continue employment, and replaces routine tasks (Colvin, 2014; European Commission, 2014). Employees in creative, technical, and managerial positions can work anywhere and at all hours of the day. A trend for the younger generations is to start their own business, or work as an integral part of a small business. As more employees strive to balance work and family with increased pressure for long hours, companies can respond by including amenities such as “restaurants and cafes, coffee shops, dry cleaners, community centers, day care and elder care” (Moore, 2013, para. 9). Larger companies like Google offer on-site services to employees, whereas smaller companies may need to collaborate with other small businesses to create a workplace hub to share amenities.

With the line between work and personal time blurring, companies will struggle to prevent employee use of company equipment, time, and expense accounts for personal use. In 2013, Yahoo! Inc. Chief Executive Officer (CEO) Marissa Mayer rescinded the right for employees to work from home due to concerns of accountability and alignment (“Yahoo! Telecommuting ban may be unique, but revisiting arrangements recommended,” 2013). Managers may need to resolve the conflict between trusting employees to work from home and the reality that some employees abuse the privilege by misstating working time or starting their own business (Bercovici, 2013).

New Business Models

Like the changing workplace, new business models have the potential to create emerging ethical issues. Nidumolu, Prehalad, and Rangaswami (2009) describe new business models as a way to gain a competitive advantage by finding “novel ways of delivering and capturing value, which will change the basis of competition” (p. 60). An early example of a new business model with an innovative delivery mechanism for providing products and services belongs to Interface, Inc., a carpet company. Rather than selling and installing carpet that would eventually end up in a landfill, Interface implemented a service model that allowed commercial customers to lease carpeting, which the company would maintain and properly dispose of when it was worn (Geiselman, 1998). The leasing program addresses the environmental ethics issues of the carpet industry, explained by an Interface executive as:

> The [carpet] industry sends 4 billion pounds of stuff to landfills each year. The plan benefits both the environment and customers who otherwise would have to dispose of the carpet themselves. Some landfills refuse to accept carpet, and others charge high fees. (Geiselman, 1998, p. 11)

However, Interface's business model created a new ethical issue by modifying the way companies purchase and expense carpeting. Leasing carpet rather than purchasing it changes the way the asset is expensed and depreciated, creating a temptation for clients to misreport the asset on company financial statements (Frecka, 2008).

New business models developed by the banking industry have also resulted in emerging ethical issues. The banking industry is undergoing changes in the way customers make financial transactions. Customers may pay bills, transfer funds, and deposit or withdraw money without ever visiting a bank branch. The use of video-equipped automatic teller machines (ATMs) allow bank customers to speak with live remote tellers to complete complex transactions like bill and loan payments, opening new accounts, and initiating loans.

Mobile banking creates ethical challenges in ensuring confidentiality of private information and securing data from outside hackers. In the near future, mobile banking could include the use of technologies, such as Google Glass and smartwatches. Credit cards may be replaced by facial recognition software, mobile payment systems, touchless transactions, and a digital wallet that allows purchases from within mobile device apps and mobile websites (Roberts & Mondalek, 2014). One test of Google Glass in New Zealand banks found that consumers disliked using voice commands to conduct mobile banking, stating a desire for privacy when making financial transactions (Crosman, 2014). Security remains a predominate reason that consumers do not engage in mobile banking or online payments in any form, with fears of data interception, phone hacking, or trust of the company's use of personal information as specific concerns (Board of Governors of the Federal Reserve System, 2014, pp. 11 & 13).

Some changes in banking influence the nature of bank employee jobs, creating other ethical issues for the industry. Such issues relate to employee perceptions of fairness when layoffs result from a shift to automated and mobile banking. Over 1,700 branch employees of Barclays Bank PLC in the United Kingdom lost jobs in 2013 because mobile banking made their jobs redundant (Crosman, 2013). At the same time, Bank of America tellers in New York invoked a strike claiming their positions were displaced by cheaper labor at the bank's call centers handling video ATM financial transactions (Crosman, 2013).

Communication and Technology Advances

Innovations in communication and technology that drive some new business models also result in emerging ethical issues that are not immediately evident to managers. For example, the introduction of new technology such as the personal computer, personal digital assistants, and mobile phones may have seemed like a novelty to some people (Huber, 2005). Over time, however, technological innovations such as these have become an essential part of the workplace, changed the tasks of the workforce, and created unanticipated ethical challenges. Managers should consider the ethical implications of greater Internet use, communication among the supply chain, and wearable technology.

Since its inception, the Internet has evolved so rapidly that many ethical issues have emerged in ways that are difficult to resolve given their pervasive nature. The basis for the Internet is an "any-to-any" connectivity of computer networks, which follows conventions that were established in the United States in 1973 (Markoff, 2013). Over 40 years later, there are an estimated 2.7 billion Internet users worldwide (Hoovers, 2014c). The United States governs much of the Internet, controls the addressing system, and is home to leading Internet-related companies like Microsoft, Google, and Facebook, Inc. (Gjelten, 2013). However, fears of reliance on the United States for Internet connectivity have prompted various European countries to set up intraregional hubs for Internet exchanges. For example, data transfers to and from Norway, Finland, and Russia can route through Sweden (Irion, 2009). Thailand is becoming an Internet gateway for Vietnam, Laos, Cambodia, and Myanmar (Leesa-nguansuk, 2012).

As data travels through complex systems of network hubs, citizens lose the protection of national privacy rules (Irion, 2009). Privacy rules vary by region. The EU countries require Internet search engines to restrict access to information that citizens want to protect, China and other countries restrict access to politically sensitive content, and the United States protects the free flow of information (Fisher, 2014). Forrester Research provides a global heat map that shows the levels of protection for data privacy by country at http://www.forrestertools.com/heatmap/. Business strives to safeguard confidential data from surveillance in countries where government monitoring of Internet and phone communications limits privacy, such as in the United States, the United Kingdom, Russia, China, Thailand, Taiwan, and Singapore (Sherman, 2014). See *Going Global: Google Grapples Globally* for ethical issues relating to government surveillance, international privacy rules, and protecting individual and company proprietary information.

Going Global: Google Grapples Globally

Google is a global leader in the Internet publishing, broadcasting, and search portals industry, which encompasses organizations that publish online content, provide search portals, and operate websites (Hoovers, 2014c). Major competitors to Google include Facebook (United States), Yahoo! (United States), Baidu, Inc. (China), Tencent Holdings Limited (China), DeNA Co., Ltd. (Japan), and Naver Corporation (South Korea). To remain competitive, Google operates in more than 50 countries and is available in more than 100 languages (Hoovers, 2014b). Diverse regional and national policies on Internet privacy and censorship create challenges for Google. According to the industry overview from Hoovers (2014c), regulations of the Internet are continually changing to keep up with new ethical issues, stating:

> Laws and regulations are a significant challenge for Internet content firms. Import/export requirements, content policies, trade restrictions, and data privacy are among the many regulatory hurdles Internet firms must clear to do business on a global scale. (p. 5)

Google's international presence provides two examples of tackling ethical issues with the Internet.

Censorship in China

In 2000, Google launched a Chinese version of Google.com with great anticipation of accessing a large, growing population of Internet users (Tan & Tan, 2012). As the company struggled to increase market share, Google created new products that allowed access to information that the Chinese Internet search engine, Baidu.com, did not allow. Following Chinese government investigations into Google's operation, Google succumbed to pressures

(continued)

Going Global: Google Grapples Globally *(continued)*

to restrict access to politically sensitive sites or topics and share private customer data to government agencies. Tan and Tan (2012) noted that:

> For Google to uphold its values—of "Don't Be Evil" and make information "universally accessible and useful"—while compromising its ethical standards to cooperate with a Chinese government that maintains social control through sophisticated filtering of "offensive" Internet content puts it in a CSR [ethical] paradox. (p. 473)

In 2009, Google experienced a data breach allegedly from the Chinese government seeking incriminating evidence against Chinese dissidents. The incident prompted Google to reduce its presence in mainland China and publish a link on its government approved ".cn" domain (Google.cn) to an uncensored website based in Hong Kong (Hoovers, 2014b).

Censorship in Europe

In 2010, while managing the issues of censorship in China, Google was also dealing with a privacy issue relating to European data protection law. Google holds 85% of the search engine market in Europe. A Spanish citizen claimed that Google was violating his privacy when search results included a newspaper notice of his repossessed home. The case went to the Court of Justice of the European Union. On May 13, 2014, the European Court ruled on the following issues:

a. On the territoriality of EU rules: Even if the physical server of a company processing data is located outside Europe, EU rules apply to search engine operators if they have a branch or a subsidiary in a Member State which promotes the selling of advertising space offered by the search engine;
b. On the applicability of EU data protection rules to a search engine: Search engines are controllers of personal data. Google can therefore not escape its responsibilities before European law when handling personal data by saying it is a search engine. EU data protection law applies and so does the right to be forgotten.
c. On the "Right to be Forgotten": Individuals have the right—under certain conditions—to ask search engines to remove links with personal information about them. (European Commission, 2012, p. 1)

Google must comply with the new requirements to respond to requests for removing links to content by European users. However, the court ruling fails to provide clear direction on how to implement a fair process that respects the rights of the individual without jeopardizing open access to information. Some questions Google and other search engines have on the ruling include:

How will each EU member nation interpret and enforce the ruling?
Does the ruling apply to non-Europeans who petition removal of information to European regulators?
Must removal of online content or links to content occur only in Europe, or across worldwide platforms?
If worldwide removal is required, how can search engines comply with free speech laws of the United States? (Scott, 2014)

(continued)

Going Global: Google Grapples Globally *(continued)*

Questions to Consider

1. How can Google determine the best ethical approach to handling government demands for censorship of information or disclosure of customer transactions? Using the two-fold test from Chapter 3, how does complying with government demands harm company stakeholders and/or violate a common ethical principle or business standard?
2. How does Google's introduction of future products like an autonomous car and Google Glass create potential challenges in censorship and surveillance demands from law enforcement and governments?
3. If you were Google's ethics and compliance officer, what actions would you take to anticipate future ethical issues and incorporate them into the ethics and compliance program?

While businesses seek to prevent unauthorized access to confidential data, legitimate communication with business partners contributes to the potential for a cyber attack. Director of National Intelligence James Clapper highlighted this security threat in a report to the United States Senate Select Committee on Intelligence on March 12, 2013:

> We assess that highly networked business practices and information technology are providing opportunities for foreign intelligence and security services, trusted insiders, hackers, and others to target and collect sensitive U.S. national security and economic data. (Clapper, 2013, p. 2)

The Software Alliance (BSA) finds that hackers are able to bypass computer security through unlicensed software used by company vendors, customers, and business partners. A global software survey by BSA found that many employees are not aware of company policies prohibiting unlicensed software, increasing the potential for noncompliance within the organization or enforcement of compliance by suppliers (BSA | The Software Alliance, 2014). Managers need to identify gaps in their ethics and compliance efforts that put the company at risk of misconduct due to emerging security threats.

Another new technological advance that could affect business includes wearable technology. For the past decade, RFID chips in clothing provide transparency of the supply chain to the apparel manufacturers and retailers. Research continues to expand the technology to weave electronic sensors into the cloth. Manufacturers recognize new business opportunities with the development of smart textiles that "regulate body temperature, reduce wind resistance, and control muscle vibration" (Hoovers, 2014a, p. 11).

Optical wearable technology has been in use by the military and aviation (Wong, 2014). In 2012, Google announced the beta testing of Google Glass, eyeglass frames with a small computer display connected to the Internet. Some industries are eager to adopt wearable surveillance technology to improve employee productivity and customer service. Virgin Atlantic Airways Ltd. hopes that concierge and airport staff using Google Glass and other wearable technology can assist passengers upon arrival, when boarding, and in-flight by accessing a database on passenger preferences (Weiss, 2014).

Small, lightweight, hands-free cameras used in sports over the past decade are finding their way into the workplace. As of 2013, one out of every four U.S. police departments provides wearable cameras for patrol officers. While officers wearing body cameras experience fewer citizen complaints and use of force incidents than those without (Elinson & Kesling, 2014), individuals and businesses fear misuse of surveillance by police or the government.

Many of these wearable technologies create emerging ethical issues regarding privacy and confidentiality (Whitford, 2014). Innovations in surveillance technology have created major privacy concerns among employees, customers, and businesses. Initially, police officers opposed using wearable cameras for fear that supervisors could target them for disciplinary action (Elinson & Kesling, 2014). Companies should consider employee reactions to surveillance in the workplace.

In the United Kingdom, theater owners banned Google Glass from cinemas for fear of users making copies of films (Weiss, 2014). Companies may need to consider a similar ban to protect intellectual property. Privacy concerns of customers of restaurants, bars, and other public venues fear videos or photos taken without their knowledge are prompting the businesses to ban the use of wearable surveillance technology in some establishments, which can be a similar concern in the workplace. Restrictions on the use of Google Glass devices while driving due to perceived cognitive distraction continue to evolve, affecting transportation companies or employee travel policies (Rosenberger, 2014). Companies need to consider possible uses of wearable surveillance devices for harassing employees or sharing proprietary information with competitors. Ethics officers must consider future ethical issues and their impact on the organizational ethics and compliance program.

10.3 The Future of Organizational Ethics and Compliance

Ethics and compliance professionals need to anticipate future demands on their profession to respond to emerging issues that result from changes in the workplace and new business innovations. The ethics and compliance function has changed since the inception of the profession in the 1990s as a response to the U.S. Defense Industry Initiative (DII) (see Chapter 1). Chapter 4 explored the influence of laws and guidelines on the role of an ethics and compliance officer to coordinate a company's legal, ethics, audit, training, and risk functions. Emerging ethical issues will affect the ethics and compliance practice in the future, including the organizational ethics and compliance program and the ethics and compliance function.

Given the volume and complexity of emerging ethical issues in the years to come, ethics and compliance professionals will benefit from employment opportunities in their field, but bear the brunt of the heavy demands they will likely face. In the United States, the Bureau of Labor Statistics (2014a) projects employment of over 250,000 compliance officers by the year 2022. While occupations focusing solely on compliance are expected to grow at a rate of only 5% between 2012–2022, a lower than average rate of other occupations, surveys from the Society of Corporate Compliance and Ethics (SCCE) have found that 27% of companies expect to increase staffing for the ethics and compliance functions (SCCE, 2013).

Despite burgeoning employment opportunities, another survey found that over half of ethics and compliance professionals suffer from job-related stress and 60% consider leaving their job (SCCE, 2012). Reasons for stress include the pressures to comply with new and changing laws and regulations, challenges to prevent compliance and ethics violations, and complexity of remediating compliance and ethics violations. The following sections examine the future demands on ethics and compliance professionals, beginning with regulatory shifts that dictate changes in company policies.

Regulatory Shifts Lead to Company Policy Shifts

Shifts in government regulation lead to shifts in corporate policy. As shown in *Going Global: Google Grapples Globally*, multinational companies often struggle to address regulations that are inconsistent with corporate values and policies. Managers in Asia and Europe find that corporate ethical codes that prevent censorship of Internet content may need to be adapted to local regulations. In the case of Google, the company addresses the variance in privacy and freedom of information by stating in its code of conduct:

> Google is committed to advancing privacy and freedom of expression for our users around the world. Where user privacy and freedom of expression face government challenges, we seek to implement internationally recognized standards that respect those rights as we develop products, do business in diverse markets, and respond to government requests to access user information or remove user content. (Google, Inc., 2012, Serve Our Users section, para. 5)

For further clarification of policies, Google instructs its employees to contact the legal or ethics and compliance office of their location. As with all multinational corporations, Google must provide custom ethics training by region to accommodate varying regulations among nations. While Europe's ruling for the right to be forgotten specifically applies to providers of Internet search engines, the shift toward broadening the scope and reach of privacy laws should make companies of all industries take notice.

Similar to the nebulous realm of the Internet, marijuana legalization represents another constantly shifting landscape. It can be difficult for companies operating in different states or countries to keep track of where marijuana is legal, illegal, legal only for medicinal purposes, or in the process of becoming legal. Marijuana, or cannabis, is an illegal drug in most countries. In the United States, it is considered a controlled substance under the Controlled Substances Act (Title II of the Comprehensive Drug Abuse Prevention and Control Act of 1970) (Hartman, 2013).

In the 1970s, some states and countries decriminalized marijuana possession for personal use, yet retained criminality of the manufacturing, distribution, and sale of marijuana. In the 1990s, the drug became legal in Alaska, Oregon, Washington, and Maine for medicinal reasons, primarily pain management (Mello, 2013). Worldwide, medicinal uses of marijuana became legal in Canada beginning in 2001, and later in Chile, Finland, and Israel. In 2012, Colorado and Washington became the first states to legalize the sale of marijuana for recreational use. In December 2013, Uruguay became the first country to legalize the growing, selling, and use of marijuana ("Uruguay—Marijuana Becomes Legal," 2013).

Many international companies are challenged to create appropriate organizational drug use policies that take into account the evolving legalization of marijuana use. Medical marijuana use may be legal in some states, yet it remains an illegal substance under federal law and its use or sale is not allowed. Courts hearing wrongful termination cases rule that while patients with grave and debilitating disabilities fall under the Americans with Disabilities Act, protection does not preclude firing an employee for taking a drug that is illegal under federal law (Hartman, 2013). However, interpretations of employee/employer rights regarding medical marijuana could change. The legislation legalizing medical marijuana in New York includes antidiscrimination protections for certified patients using marijuana for medical reasons (Volpe & Reiter, 2014).

An article in the *Colorado Biz* magazine provided two examples of how companies could maintain current drug policies, despite the legalization of marijuana in Colorado. In essence, as long as marijuana remains an illegal substance under federal law, businesses can ban it and continue drug tests to enforce the ban (Hartman, 2013). Companies with military or government contracts must comply with federal requirements regarding controlled substances. According to Geotech Environmental Equipment's president and CEO, "Geotech is required to maintain a drug-free workplace because of the work we do for the federal government, so we test at hire, accident and reasonable suspicion" (Caley, 2013, para. 18). Workplace safety is another reason for prohibiting marijuana use, especially for industries under federal regulation. Many workers at Colorado-based Swingle Lawn, Tree and Landscape Care drive motor vehicles and fall under Federal Motor Carrier Safety Administration regulations. The policy at the company affects all workers; as the human resources director explained, "Even if they are not driving, they are operating chainsaws and climbing 60-foot trees, so all employees are still subject to pre-employment drug testing and post-incident testing" (Caley, 2013, para. 16).

Organizations wanting to preserve a ban on marijuana use should revise policy statements clarifying company rules that any marijuana use—for medicinal purposes or purchased under state laws allowing recreational use—is prohibited both during work hours and outside work hours. This is a recommended strategy even for those companies operating only in locations where marijuana remains illegal. Stating the company policy during the hiring process can prevent employees from misunderstanding their right to marijuana under state laws. Ethics and compliance professionals play an important role in identifying and addressing potential ethical issues from new regulations in the organization.

The Ethics and Compliance Professional in the Future

The ethics and compliance function has evolved throughout the past three decades. Many businesses invested in ethics and compliance management because of regulatory initiatives and the U.S. Federal Sentencing Guidelines for Organizations (FSGO) (see Chapters 4 and 9). However, the ethics and compliance professional plays a much larger role in the organization than that dictated by law. The ethics and compliance function of the future will need to respond to the demands on the profession to prevent misconduct by the organization and safeguard the public interest (Murphy, 2014).

In May 2014, RAND Corporation explored the potential shifts in the compliance field over the coming decade during its annual symposium. The symposium was sponsored by the RAND Center for Corporate Ethics and Governance, a research organization committed to improving public understanding of corporate ethics, law, and governance and to identifying specific ways in which businesses can operate ethically, legally, and profitably (Murphy, 2014). The business leaders and academic experts participating in the discussions recognized that emerging risks to a company's reputation are driving changes to the ethics and compliance function. A company's reputation may be harmed by violations of law, opportunistic and dishonest behavior, and an amoral corporate culture. Business management considers that the role of the ethics and compliance function and the chief ethics and compliance officer is to address emerging reputational risks, prevent misconduct that contributes to reputational risk, and limit the damage of a reputational crisis. One of the attendees expressed the heightened attention to the ethics and compliance function to mitigate reputational risk by stating:

> Reputation risk is a chief concern for many, many board members today. Directors know that they need to be worried about reputation, but they're often vague about what they specifically need to do. This involves a basic tieback to the compliance function, and to what the compliance officers are doing to address operational and strategic risk at the highest levels of their organizations. (Greenberg, 2014, p. ix)

To address risks in the organization, ethics and compliance professionals should cultivate positive relationships with auditing staff if the organization is large enough to warrant dedicated auditing resources. Internal and external auditors evaluate the effectiveness of risk management, controls, and governance processes (Forman, 2013). New regulations create stress on the ethics professionals to keep policies current, educate the workforce, and monitor compliance. They are responsible for maintaining the organizational ethics and compliance program, which includes setting ethical standards, training employees, and investigating reports of misconduct. Ethics and compliance professionals can avoid duplicating tasks by leveraging the auditors for monitoring compliance. Auditors can verify that employees are following the laws, regulations, and policies by including compliance tests in the audit protocols (Forman, 2013). Ethics officers should meet regularly with auditing staff to identify high-risk areas to include in the audit plan. Auditors can share findings and serve as consultants to the ethics staff to remedy noncompliance situations.

Challenges for Ethics and Compliance Professionals

Ethics and compliance professionals of the future will need to overcome challenges to further their role of protecting their company's reputation. In order to establish a company culture of integrity and ethical conduct, the ethics and compliance function must have legitimacy within the organization. **Organizational 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).

Legitimacy is important for ethics and compliance professionals to influence appropriate behavior. The compliance nature of the ethics and compliance function often entails asking employees to follow rules that affect their job performance. For example, as sales departments strive to increase revenue and make sales, the ethics and compliance staff track pending regulation that would restrict the industry if companies ignore responsible business practices. As emerging regulations create change in company ethics policies, ethics and compliance professionals will need to establish legitimacy with all employees of the organization to affect appropriate change in behaviors.

Treviño, den Nieuwenboer, Kreiner, and Bishop (2014) conducted a study of the legitimacy of the ethics and compliance function in U.S. organizations. They found that the ethics and compliance function's legitimacy resulted from external sources, primarily the regulatory pressures due to past ethical scandals. However, most ethics and compliance officers experienced internal challenges with legitimacy within their company, creating a barrier to effectively managing the ethics and compliance program. The study identified four internal challenges to establishing legitimacy within an organization, which relate to previous discussions throughout the text.

1. *Difficulty in evaluating effectiveness*
   Ethics and compliance officers struggle with measuring the return on investment of ethics and compliance initiatives. The metrics for an ethics and compliance program differ from other functions and may require further explanation to show a return on investment. This can be achieved by utilizing some of the approaches for measuring the effectiveness of an ethics and compliance program that were discussed in Chapter 9.

2. *"We are already ethical" mentality*
   Even with top management support, some employees will question the need for ethics and compliance guidance, as they perceive that they are acting in line with personal ethical principles. In Chapter 1, this phenomenon is described as ethical fading, which can lead to cognitive biases that increase the potential for unethical behaviors. Therefore, the role of ethics professionals is to look beyond the formal organizational ethics program and identify ethical traps that may occur (see Chapter 7).

3. *Clash with business imperatives*
   Ethics and compliance officers must address some employees' beliefs that ethics is contrary to pursuing business success. Chapter 1 outlined the costs of ethical lapses, including a loss of reputation that influences customer loyalty, employee satisfaction, and government intervention, while Chapter 2 demonstrated that responsible companies gain competitive advantages, such as attracting employees, reliable supply chain and favorable competitive environment.

4. *Clash with legal mindset*
   Contradictions exist between the goals and purposes of the legal department and those of the ethics and compliance function. One ethics and compliance officer expressed this conflict by stating:

   > General Counsel's role is to protect the corporation. Therefore, the advice that they give is, "This is the law. This is what you can do, and this is what you can't do." That's a lawyerly thing to do and that's what I would expect a general counsel to do. The Ethics Officer's role is to say, "I understand what the law is, but I don't believe this is . . . how we put ourselves out with respect to integrity." (Treviño et al., 2014, p. 192)

This clash with the legal mindset creates a challenge for the ethics and compliance professional to create an environment of ethical conduct beyond what is dictated by law. For that reason, the reporting relationship between the ethics officer and his or her supervisor is gaining importance in structuring an effective ethics and compliance program for the future, as discussed in Chapter 9. The trend is to remove the ethics and compliance function from the legal department, and have a direct reporting relationship to the CEO or board of directors. Direct access to the board complies with the FSGO, and allows for independence of the legal department and unrestricted investigations of misconduct at senior levels of management (Snell, 2011b).

Building Trust in the Ethics and Compliance Profession

Trust is a fundamental component of a business's reputation. The CEO of SCCE, Roy Snell (2013), considers that the most important role an ethics professional can play in business is to build trust through an ethical culture that contributes to the success of the organization and the economy. Joseph Murphy, the director of public policy at SCCE feels that ethics and compliance professionals have a duty to protect the public interest. He stated:

> . . . when C&E (Compliance and Ethics) violations occur in major companies, there is the potential for dramatic negative consequences with more widespread impact (e.g., the Bhopal disaster, Enron debacle, BP oil spill). Organizational misconduct can result in high-stakes harm to society. (Murphy, 2014, p. 9)

Sharon Allen (2010), chairman of the board at Deloitte, recommends positioning the ethics officer and ethics staff as trusted and strategic advisors on the ethical best practices that the organization needs. Ethics professionals should consistently scan for emerging ethical issues and anticipate revisions of the code of conduct or company policies. Knowing the top global risks that could influence the business allows the ethics team to create plans to protect against the threat. A leading concern for business is the unauthorized access to confidential data (Council on Foreign Relations, 2014; World Economic Forum, 2014). Folsom (2014) found that even with the increasing threat of cyber attacks, many companies are not prepared to detect or prevent hackers from accessing data. The reason provided is that no one in the organization is accountable for compliance, training, and monitoring programs to protect against cyber threats. Ethics and compliance professionals can take ownership of data security by becoming proficient in technical cybersecurity issues.

A good relationship with information technology (IT) personnel is essential to implementing security procedures designed to prevent cyber theft, or modifying software applications to comply with new regulations. Ethics professionals and IT professionals often have trouble communicating with each other because they tend to use terms that are specific to their positions. One compliance officer, Stuart Lehr stated, "A lot of the problem is that you get lost with the first acronym from IT staff" ("Compliance and IT Work Best as Partners," 2011, p. 5). A shared list of acronyms and terms with explanations can enhance communication. Likewise, ethics professionals cannot expect IT personnel to understand systems changes from reading a regulation. Lehr provides the following questions to guide IT professionals in responding to new regulations:

1. Task: What does the regulation require?
2. Translation: How do we eliminate compliance jargon and define what we need to do?

3. Result: What must systems do to meet the regulations?
4. Inventory: Is there existing functionality that can be modified?
5. Gaps: Where are the holes in functionality?
6. Deadline: When must compliance be reached?
7. Validation: How will tests verify the system is in compliance? ("Compliance and IT Work Best as Partners," 2011, p. 6)

Beyond developing a relationship with IT professionals, ethics officers must develop a relationship with the organization's executives. To develop trust, ethics officers should convey messages in terms that executives will understand. Since business executives care about the financial viability of the company, ethics professionals should discuss ethical risks in financial terms, rather than in moral terms. Allen (2010) suggests following this formula when recommending investments in addressing an emerging ethical issue:

- First, calculate your organization's enterprise value or market capitalization.
- Then, discuss the implications of how the lack of an ethical culture [or attention to an ethical issue] can bring down the entire enterprise. (Use actual examples when it has happened before).
- Finally, draw the connection between ethical behavior and the value of the entire enterprise. (p. 556)

The ethics and compliance function has made a great deal of progress since the 1980s when the DII formed to create the first ethical principles for business. Organizational ethics and compliance programs today are more comprehensive than that of General Dynamics's ethics program, which included the first formal standards of business ethics and conduct. A new profession of ethics and compliance has emerged to focus on creating an ethical culture within an organization. Recognizing the value of an ethics professional, Bentley professor Patrick J. Gnazzo gives this advice to students:

> No matter what career you choose after you leave Bentley, an effective chief ethics and compliance officer (CECO) will make your job all the more enjoyable. An effective CECO has your back, and he or she will make it easier to say "no" to the inevitable pressure to cut corners or bend the rules. An effective CECO allows employees to devote their energies to being productive rather than protective. (Gnazzo, 2011, p. 534)

An ethical business requires employees and managers to hold all coworkers and leadership accountable for ethical conduct. Responsible managers strive to encourage ethical decisions by fostering a culture to recognize ethical issues, mitigate biases and pressures against ethical conduct, and leading by example. A formal organizational ethics program provides employees and managers the tools to encourage and support responsible business conduct now and in the coming years. A long history of events and sociopolitical changes shape the ethical and societal expectations of business. Ethical leaders learn from prior experiences, realize current ethical concerns, and anticipate future ethical issues for their business. An ethical and responsible business creates long-term value for customers, employees, shareholders, suppliers, and the community.

Summary & Resources

Chapter Summary

Trends in the economic, geopolitical, social, and technological environment create new ethical issues for business. Social issue life cycle theory asserts that ethical issues evolve over time, progressing from relative inattention to an issue, to awareness, and finally to an expectation for responsible behavior by stakeholders. Proactive identification of emerging ethical issues requires monitoring an organization's internal and external environments to detect early signs of the ethical dimensions of future business opportunities.

Company stakeholders can bring three types of ethical issues to the attention of management. Benign ethical issues are those consistent with universal principles of acceptable conduct. Disputed issues are controversial, with opposing views of acceptable action. Problematic issues are those that are inconsistent with universal principles and could lead to misconduct. Credible resources for identifying emerging ethical issues include print and online media, user-generated content in social media sites, surveys by ethical centers, think tanks, NGOs, and participation in industry association networks.

New ethical issues emerge as companies respond to workforce transitions, such as service-related jobs replacing manufacturing jobs, with a need for higher education and technological skills from workers. Companies in developed countries must adapt to an aging workforce that requires new approaches in assuring its health, safety, and well-being. Workforce planning for future ethical concerns includes assessing the current workforce, identifying challenges in future workforce skills, and anticipating legal obligations in recruiting and hiring employees.

Innovative business models may create ethical challenges in fairly treating company stakeholders that are new to the industry. Ethical challenges with surveillance technology relate to privacy concerns of employees, customers, and businesses.

Emerging ethical issues and new business regulations require ethics and compliance professionals to anticipate future demands on their profession and the organization. Ethics professionals should foster positive relationships that build trust with employees, leadership, and the board of directors. The ethics and compliance function in business has made much headway since its inception in the 1980s with formal organizational ethics programs, acknowledgement as a profession, and an appreciation for the value of creating an ethical culture.

Key Terms

benign moral pressure Stakeholder preference for behavior that is inarguably consistent with manifest universal principles.

community of practice Groups of people who share a concern, a set of problems, or a passion about a topic and interact on a regular basis to deepen their knowledge and expertise in the area.

counteractive communicative behaviors Actions that prevent teams from creating ideas, finding solutions, and productive discussions.

disputed moral pressure Stakeholder preference for behavior that is not resolved by manifest universal principles and reflects one segment of society in opposition of another.

ethical issue intensity The perceived relevance or importance of an ethical issue to individuals or groups.

problematic moral pressure Stakeholder preference for behavior that is inarguably inconsistent with manifest universal principles.

organizational legitimacy 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.

social media analytics The collection and interpretation of social media data to extract useful patterns and intelligence.

social media monitoring The process to discover and collect content on social networking sites on relevant topics.

think tank Groups of experts researching technological and social problems in order to generate new ideas and offer advice.

user-created content Content made publicly available over the Internet that reflects a certain amount of creative effort and is created outside of professional routines and practices.

Critical Thinking and Discussion Questions

1. Search current newspapers or trade journals for reports of new technologies. Select one technology and identify the ethical considerations that a company adopting the technology should address.
2. Select a global risk from Table 10.3 or another future risk to business. Find three credible sources of information that would highlight ethical issues that organizations should consider incorporating into their ethics and compliance program. Identify any underlying biases in the source material that might skew a recommended action.
3. Envision the workplace of the future. What ethical issues arise from robot technology performing reasoning and decision-making tasks like performing surgery? Who would be accountable for misconduct or unethical actions?
4. How can an organization maintain workplace prohibitions of activities that may be legal in the state or country where they operate, such as marijuana use, concealed weapons, or smoking indoors? How can a company avoid lawsuits from employees claiming unfair or discriminatory practices?
5. What skills will ethics and compliance professionals require to handle demands to manage future ethical issues? What skills will operational managers require to encourage and ensure ethical conduct in their function? How can an organization prepare its workforce to anticipate and respond to emerging ethical issues?

Suggested Resources

AARP Workforce Assessment

http://www.aarpworkforceassessment.org/welcome

Business for Social Responsibility

http://www.bsr.org/

Council on Foreign Relations

http://www.cfr.org/

CSRwire

http://www.csrwire.com/

Ethical Corporation

http://www.ethicalcorp.com/

Ethics Resource Center

http://www.ethics.org/

Ethisphere Institute

http://ethisphere.com/

European Business Ethics Network

http://www.eben-net.org/

Forbes

http://www.forbes.com/

Forrester Research's Global Heat Map

http://www.forrestertools.com/heatmap/

Institute of Business Ethics

http://www.ibe.org.uk/

Law.com Newswire

www.law.com

The Conference Board

https://www.conference-board.org/

The Economist

http://www.economist.com/

The Financial Times

http://www.ft.com/home/uk

The GRC Digest

http://www.grcdigest.com/

The New York Times

http://www.nytimes.com

The Wall Street Journal

http://online.wsj.com/

Transparency International

http://www.transparency.org/

United Nations Global Compact

https://www.unglobalcompact.org/

World Economic Forum

http://www.weforum.org/