

# Business Ethics as Practice

Representation, Reflexivity and Performance

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## 7. Managing for Compliance and Integrity in Practice

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### INTRODUCTION

Achieving credibility and trust vis-à-vis stakeholders is one of the key organizational challenges of the present day. Adherence to an existing legal framework is often insufficient to ensure legitimacy, because existing loopholes in laws and regulations render any regulatory framework imperfect and reasoning beyond the text of the law or regulation is required to adapt generally applicable provisions to specific contexts. This gap can be at least partially filled by a stronger consideration of ethical issues in practice. In the context of organizational leadership, 'ethics management' is the term introduced here to delineate management that ensures the sustainability of the 'moral basis of the free market economy itself' (Steinmann and Olbrich, 1998: 65).

This need for ethics management poses the question of 'how to'. In the literature, we find two approaches that are commonly mentioned when the question arises of how to align the activities of ethics management in organizations: *compliance and integrity* (Paine, 1994; Becker, 1998; Trevino et al., 1999; Robbins, 2002; Jacobs, 2004; Crane and Matten, 2004:170-171). Compliance as a purely legalistic perspective is concerned exclusively with preventing criminal misconduct by meeting the demands of existing laws and regulations. These are externally given and thus not self-imposed. By contrast, the integrity approach bases an organization's ethics management

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on the espoused values and commitments of all employees. The proactive nature of integrity fosters an inclusion of moral questions into daily organizational decisions.

While there is much discussion about the general nature of both approaches, most arguments are rather difficult to translate into organizational practice, i.e., the nitty gritty of everyday operations. The debate provides little insight on how corporations can implement a tool designed to guide ethical behavior – whether compliance to external regulations or to internal codes. The theoretical recognition and practical application of compliance and integrity thus fall apart. As a parallel development, there has been increasing recognition and proliferation of so-called *accountability standards* (e.g., SA 8000, AA 1000, the Global Reporting Initiative or the United Nations Global Compact) in recent years, which qualify as tools for turning ethics into practice (Goodell 1999; Leipziger, 2001, 2003; McIntosh, 2003). Unfortunately, these standards are often presented in an unstructured manner, which leads to confusion about the possibilities and restrictions of their use (Nadvi and Waltring, 2001). As a result, there is uncertainty about the extent of support that accountability standards can provide for shaping either a compliance or integrity approach towards ethics. The same applies to the inversion of the argument: because no framework exists to date to assess the impact of these tools on either compliance or integrity, the tools cannot be extended in a meaningful way.

The research question posed against this background is the following: What sort of guidance can organizational leaders expect from accountability standards if, based on internal deliberations or external pressure, they decide to be engaged in (or are forced to be engaged in) ethics management? The objectives of this chapter are therefore threefold. First, we provide a brief discussion of compliance and integrity as approaches for managing ethics in organizations. Second, we develop a framework that allows an assessment of the interrelation between both approaches and existing accountability standards. This framework is supposed to show to what extent such standards can help manage for compliance and/or integrity. Third, we apply this framework to one specific tool – SA 8000 – to clarify the usefulness of this initiative to support and fit a compliance and/or integrity strategy. By doing so, we discover suitable ways to extend the initiative in either direction. In addition, a discussion of the relationship between accountability standards and strategies for ethics management also addresses the question of whether we should discuss compliance and integrity in a mutually exclusive (i.e., either/or) or mutually enhancing (i.e., both/and) way. Within this chapter we define 'ethical practice' as the situated and socially accomplished flow of activities that are in some way consequential with regard to the legitimization of an organization's activities. A firm's ethics management, which we

analyze through the idealized conceptions of compliance and integrity, can influence this practice. Our question, then, is to what extent accountability standards can have an impact on the *management* of this practice.

We will proceed by introducing compliance and integrity and providing a short review of both approaches. In the following section, we briefly outline accountability standards as tools to 'manage' ethical practice in organizations. Based on these remarks, we develop a model for analyzing the relation between accountability standards and compliance/integrity by arguing that most standards possess 'option-excluding' (compliance) as well as 'discourse-opening' (integrity) moments. In the fourth section, we analyze SA 8000 as an exemplary accountability standard and examine its appropriateness for both compliance- and integrity-based ethics management. The conclusion suggests potential foci of future research.

## COMPLIANCE AND INTEGRITY AS STRATEGIES FOR ETHICS MANAGEMENT

### Compliance: 'Follow the Rules!'

A compliance strategy is founded on conformity with externally imposed norms. Such third party regulation can refer to either the law itself or to stakeholder-specific claims. Hence, the basic principle of the concept is to comply with certain demands on a *reactive* basis. Generally speaking, there are two levels of compliance. The boundaries of individual action may either be defined internally by management (e.g., through a code of conduct) or derive from external requirements imposed on the organization by the legal environment. In the United States, for instance, the Federal Sentencing Guidelines (FSG) compiled by the United States Sentencing Commission (USSC) have played a pioneering role in creating a legal framework for sentencing organizations. Companies try to ensure the proper execution of the law by controlling and monitoring employee behavior as well as by sanctioning unlawful actions (Paine, 1994, p. 109). This orientation calls for strict standards with which to comply as well as for obedience to authority (Trevino et al., 1999, p. 132). The moral responsibility is put in the hands of the individual who is perceived to be the final moral authority and decision-maker (Andrews, 1989, p. 100).

Through the development and implementation of a compliance standard, management demonstrates a zero-tolerance policy towards the violation of principles. As a consequence, it is not primarily the organization itself that is supposed to stay out of trouble. On the contrary, most compliance programs

are designed to protect top management from blame – both internal and external – and legal consequences (Trevino et al., 1999, p. 139). The ethical program required to achieve this objective is therefore based on strict monitoring mechanisms. Every compliance approach is useless as long as the members of an organization do not stick to the rules. It is, therefore, the task of top management and internal auditors to guarantee the adherence to existing principles.

At the operative level, compliance is usually enforced through sanctioning and training (McKendall et al., 2002). Internal as well as external audits evaluate employees' awareness by controlling adherence to the respective norms (Eliason, 1999). Disciplinary measures can be another powerful tool to ensure that employees really 'live' the standard rather than paying lip service to it. Compliance-based training methods, as one possible way of enforcement, have to raise general awareness for the desired norms. They exclude options for individual actions by imparting narrowly defined standards and fostering a student-teacher-type education. A compliance-based ethics strategy demands that employees learn about regulations that concern their area of work. Since there is no 'one-size-fits-all' approach towards compliance management, it is obvious that education has to be customized to the individual organization and sometimes even broken down further within it, as ethical problems differ substantially from department to department. In addition to training and sanctioning mechanisms, compliance can also be enforced through adequate communication. Practices commonly mentioned for communicating a set of regulations include the measurement of legal performance and an institutionalization of compliance - responsibilities at certain points in the organization (e.g., in the legal department, the ethics office, or the board). Indeed, a well-organized incentive system is often an underestimated aspect for communicating a compliance program to employees (Flannery et al., 1996, p. 58). Finally, the visibility of norms has to be ensured, reminding people of what is expected from them without reverting immediately to hierarchical distance.

While compliance enables 'straight talk' about how to behave ethically, there are clearly many drawbacks to this kind of understanding of ethics management. First, because compliance-based tools hamper ethical reflection and foster the irrevocability of decisions, they are only able to support 'single-loop', or adaptive, learning processes (Senge, 1990). Compliance acts as a correcting authority for the actions of employees but does not support the process of questioning underlying assumptions and goals of both individual and collective *behavior*. Second, a compliance strategy fails to encourage reflection on *norms*. People are deprived of the right to clarify intersubjectively what they perceive to be right. From the viewpoint of ethics, this is a serious drawback – the corporation does not lend itself to a

discussion of ethical guidelines. The process of defining norms is not an internal, discursive endeavor, but is instead carried out by management, external consultants, or law setters. Paine (1994, p. 111) problematizes this approach by pointing out that '[t]he law' does not generally seek to inspire human excellence or distinction'. Compliance cannot achieve inspiration because the approach focuses on prescriptions and does not rise to the level of communicating values and demanding moral self-governance. Even the U.S. Central Intelligence Agency (CIA) had to recognize that a legal compliance program erodes commitment and hampers motivation (Pekel, 2002). After all, a compliance strategy often brings organizations down to an absolute moral minimum, a common denominator that fails to address the individual ethical aspirations of staff members. The question is, can integrity do any better?

#### **Integrity: Corporate Ethics from the Perspective of Organizational Culture**

The guiding principle of integrity shifts the modus of ethical governance. Whereas compliance assumes third party control, integrity supposes an orientation based on value oriented self-commitment and self-governance. This requires moral autonomy of employees as well as the recognition of the supra-organizational character of corporate responsiveness, whose implications reach beyond the realm of employees and managers and include a variety of 'outside' stakeholders. Integrity implies that self-imposed *values* become the guiding principles of ethical behavior. The development of organizational values is, therefore, at the heart of any integrity-based strategy (Eliason, 1999). Of course, the process of developing joint values needs to be communicative in nature (Ulrich, 1998). Deeply rooted within these values is the assumption that there is a primacy of ethical thinking over an exclusively economic perspective based on pure profit maximization.

The objective of integrity can thus be characterized as directed towards enabling responsible conduct (Paine, 1994, p. 111). Responsibility in this context calls for responsiveness because integrity assumes that decisions are not only made for affected people, but that the latter are already included in the norm-definition process. Hence, integrity implies not simply imposing a set of norms on employees but instead, developing these norms collectively with affected stakeholders.

We argue that integrity needs to be understood as culturally conscious ethics management (Trevino and Nelson, 1999) in that it accepts reflection on the idiosyncratic characteristics of specific organizations. Indeed, the most important aspect in this context is to let management 'walk its talk', i.e.,

demonstrate that values that have been developed discursively and in the context of the individual organization are taken seriously. In this case, ethical leadership ensures consistency between organizational values and actions. A strong integrity culture can contribute to overall legitimacy by fostering freedom of expression and requiring critical reflection from employees. This opens organizations for discourse and enables a consistent development of values. Contrary to compliance, integrity is based on procedural norms acting as a framework to take various context-specific stakeholder claims into account. The need for such open norms, to be interpreted and applied to a specific context, becomes even more obvious if we consider that no predefined norm can perfectly regulate all possible contexts in advance (Derrida, 1992). Procedural integrity-based norms are therefore dynamic, acknowledging the need to be modified by employees in order to fit specific circumstances. Certainly, such an approach towards ethics demands more than the unquestioned acceptance of a code of conduct. For this reason, integrity depends on enacted values, and not on strictly defined external norms.

When moving on to the operational level, we inevitably face the question of whether values can be enforced. Unlike compliance norms, organizational values cannot simply be passed through the organization by means of sanctioning and monitoring mechanisms. Although the literature remains notably silent with respect to discussing activities that can support integrity in organizations, we believe that some actions can be taken. In integrity-driven environments, ethics training should not be about educating employees on specific contents of a code of conduct but about fostering their sensitivity towards moral consequences of their daily activities. Situation-specific dilemma trainings and thought-experiments can be employed to set the arena. The communication of values requires change agents that have to be acknowledged by all workers and stakeholders. Cultural change agents like incentive systems or coaching and mentoring programs can help initiate a conducive environment. Trevino and Nelson (1999, p. 222) also highlight the power of organizational heroes, rituals, and stories to shape an ethical culture. As Trevino et al. (1999, p. 131) argue that integrity starts with bottom line employees seizing opportunities to speak up and report misconduct without fear of retribution.

With integrity-based management being deeper, broader and more demanding than mere compliance (Paine, 1994, p. 111), it is precisely this holistic nature that causes problems. Since corporate culture is a rather 'fuzzy' phenomenon, statements about its management often tend to be of a rather general nature. Another obstacle is engrained in the discourse-oriented character of the strategy. This view demands an inclusion of all relevant stakeholders in the norm justification process. Unfortunately, organizations

have far too many stakeholders to be able to consult them in a direct manner, given both time and resource constraints. In addition, classification frameworks available in stakeholder theory (Clarkson, 1995; Mitchell et al., 1997; Agle et al. 1999; Phillips, 2003), although theoretically well developed, leave a lot of room for interpretation when it comes to drawing boundaries between who, in practice, can still be considered a stakeholder and who falls off the brink. The depth of the integrity approach is therefore both opportunity and predicament. In many cases, organizations are left without practical advice on how to initiate a cultural change process strong enough to alter the structure of the organization (Owen and Swift, 2001, p. 4). Such disorientation can lead to a hands-off approach that fails to provide employees with an anchor for their process of reasoning. As a result, 'moral free-riders' take advantage of existing interpretations. Considering the problems of compliance and integrity, it seems clear that neither approach on its own can entirely ensure ethical behavior (Eliason, 1999).

Our review of compliance and integrity as approaches for ethics management reveals that most managers find it hard to translate these conceptions into concrete activities. How can compliance and integrity be achieved in practice? What can be done to consider both approaches in the everyday activities that people in organizations perform? In the following, we suggest to consider accountability standards as tools that influence the management of ethical practice in organizations.

## MANAGING FOR COMPLIANCE AND INTEGRITY – THE ROLE OF ACCOUNTABILITY STANDARDS

### The Proliferation of Accountability Standards

Our discussion of compliance and integrity reveals a significant problem: although both strategies are discussed frequently in the literature, rarely do we find any practical advice on how to implement them. Simply subcontracting the development of a code of conduct to an external agent or demanding culturally conscious management leaves managers in a gray area with regard to concrete terms of reference or the scope of reflection, respectively. For compliance, the challenge emanates from having to verify compliance externally using pre-given norms without just acquiring an 'off-the-shelf' package from a consulting firm. While managers increasingly look for independent verification of their compliance systems, this does not necessarily indicate that they are questioning their underlying convictions and objectives (Trevino et al., 1999, p. 147). In integrity-driven environments,

managers find it difficult knowing how to start unfolding stakeholder dialogues (Rasche and Esser, 2006). Most organizations lack experience in facilitating discourses with employees and other stakeholders (Belal, 2002). Put differently, people in charge of ethics management have difficulties translating the fuzzy construct of integrity into specific actions.

We posit that the problems regarding implementation of compliance and integrity can explain at least partly the recent popularity and widespread use of accountability standards like SA 8000 or AA 1000. Such standards represent predefined norms for organizational behavior using a specific set of issues (e.g., social or environmental) whereby their adoption leads to a prescribed level of ethical performance (Smith, 2002, p. 21; also Rasche and Esser, 2006, p. 253). Typically, third party institutions ensure adherence to these norms, which enhances the credibility of the standard. Leipziger (2003) identifies 32 initiatives in her latest book, thus demonstrating that accountability standards have become an important tool for managing ethical issues within and between corporations. While we agree that such standards will continue playing an important role in ethics management because they possess certain advantages (e.g., enhanced supply chain management, protection of reputation, improved trust by stakeholders), confusion remains over the ability of these initiatives to support compliance and integrity. Does a standard foster compliance or integrity, or maybe both strategies? How can managers assess the potential of a standard for supporting the ethics strategy they pursue? Based on our remarks in the previous section, we are now going to address these questions by developing a framework that allows managers to appraise the specific role of standards in the context of compliance and integrity.

#### **'Quasi-Regulation' – Between Option-Excluding and Discourse-Opening Moments**

We propose the identification of 'option-excluding' and 'discourse-opening' moments *within* accountability standards as the key process to make an assessment of these tools both possible and practicable. Option-excluding moments ensure that employees do not take an unmoral and illegal opportunities into consideration, thus supporting a compliance orientation. By excluding possible actions, option-excluding moments prescribe what needs to be done, but also close the organization for further reflection. This is not limited to what one should *not* do, as a prescription of action, i.e., what employees should do, equally sanctions alternative paths of non-compliance. By referring to option-excluding moments, management demonstrates that certain goals are not to be achieved at any price but only under consideration

of particular predefined norms. By contrast, discourse-opening moments ensure that employees and other stakeholders can participate in the norm-definition process. Such moments provide a discursive infrastructure that enables responsible conduct. While option-excluding moments tell employees what is *not* possible or allowed, discourse-opening moments foster the evolution of shared values by demanding feedback and encouraging proactive behavior from staff (Ulrich et al., 1998, p. 138). Discourse-opening moments are supposed to support an open, non-sanctioned discourse about ethical decisions and the more general role of the organization in society. Ideally, the discursive clarification of conflicting norms becomes part of the organization's everyday reality and thus corporate culture (Paine, 1994).

Based on Leipziger's (2003) and McIntosh et al.'s (2003) reviews of existing standards, we find that most tools are 'quasi-regulative' – they support compliance *and* integrity at the same time. Quasi-regulation shapes awareness for the complementary nature of compliance and integrity elements in standards. The Global Compact, for instance, which is one of the most widely used accountability standards, prescribes ten principles that organizations have to follow in order to show compliance. These principles exclude options for employees and management alike. However, the initiative also requires organizations to participate in its learning network and to foster dialogue with stakeholders (Kell and Levin, 2002; McIntosh et al., 2003, p. 182; Williams, 2004; Kell, 2005). These discourse-opening moments demonstrate that the Global Compact also supports an integrity strategy aimed at exchanges both *between* and *within* organizations.

Our framework for assessing the impact of accountability standards on compliance and integrity management fulfills two functions (Figure 7.1). First, it allows us to *assess* what existing initiatives regarding their impact on compliance and integrity. The framework demonstrates to which extent a standard supports either strategy for ethics management. Second, the framework can be used to *extend* standards to meet the demands of compliance and integrity even better. By doing so, an analysis of option-excluding and discourse-opening moments is a valuable exercise to appreciate the contribution of existing initiatives and to advance their conceptualization in a meaningful direction.

This framework can also be applied to other tools in ethics management (e.g., codes of conduct or ethics hotlines) as these are characterized by a similar mix of option-excluding and discourse-opening moments. A code of conduct, for instance, prescribes certain norms and thus excludes options for further actions. At the same time, a code can also be developed together with affected stakeholders to be tested and adjusted over time and thus opens organizations for discourse (Lozano, 2001). In the next section, we will apply

our framework to SA 8000 as a case in point, because (a) the initiative belongs to the currently most widely used ones (881 production facilities in 47 countries use its guidelines as of June 2006), and (b) SA 8000 represents a variety of other standards since it provides a system to verify ethical performance, via independent audits, that has acquired international recognition (Thaler-Carter, 1999; Leipziger, 2003).

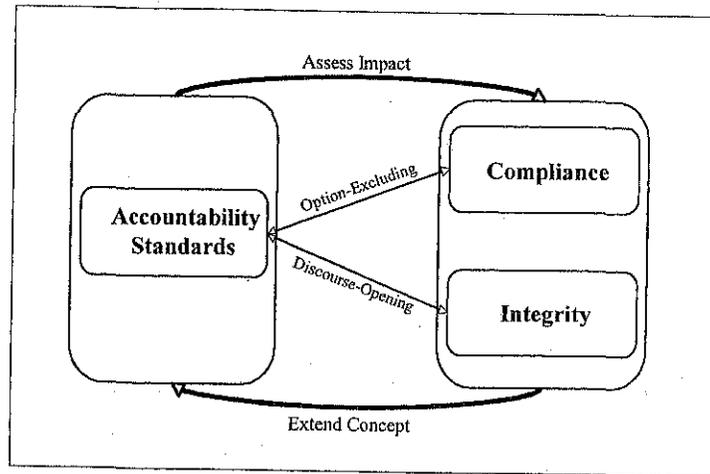


Figure 7.1 Framework for Assessing the Relation Between Accountability Standards and Compliance/Integrity

## QUASI-REGULATION BY SOCIAL ACCOUNTABILITY 8000

### Social Accountability 8000 – Basic Conception and Implementation Procedure

SA 8000 can be characterized as 'a global, verifiable standard for managing auditing and certifying compliance with workplace issues' (Leipziger, 2001, p. 1). By focusing exclusively on social issues, the standard addresses a specific field of application within the triple-bottom-line approach (Elkington, 2002). The normative framework of the initiative includes selected fundamental ILO principles, the UN Universal Declaration of

Human Rights, and the UN Convention on the Rights of the Child (Gilbert and Rasche, in press). Based on these regulations, the SA 8000 guidelines propose procedures to achieve social accountability and to set reliable international standards in areas such as child labor, collective bargaining, fair wages, working hours, and anti-discrimination. Social Accountability International (SAI), an NGO located in New York City, administers the standard. Whereas SAI together with a multi-stakeholder advisory board, is responsible for creating guidelines that act as specific requirements for certification, auditing bodies accredited by SAI, conduct the required audits.

The process works as follows. A corporate organization seeking SA 8000 certification hires an auditing company. The certificate is awarded only for a specific production facility and not for an entire multinational corporation or a complete supply chain. Since many multinational corporations do not own their production facilities, which are increasingly located in developing countries, but rather establish flexible supplier relations (Mamic, 2005), SAI has set up a Corporate Involvement Program (CIP) to which large multinationals can sign up and then demand certification from their suppliers. An issue widely discussed in this context is the nature and amount of costs related to the accreditation process, which vary with the size of the production facility. The types of costs relate to the charges for the audit itself, the opportunity cost of management time (e.g., for preparing the audit), the expenses of taking corrective measures, as well as the costs for continuous monitoring (Leipziger, 2001, p. 7; Thaler-Carter, 1999).

SA 8000 may be analyzed at two interrelated levels of analysis (Gilbert and Rasche, in press). At the *macro-level*, we find a universally valid norm catalogue, which is being revised by SAI on a regular basis. By contrast, at the *micro-level*, norms are put into action in a specific production facility. Indeed, SAI acknowledges that its 'universal' norms cannot be valid regardless of space and it allows for 'local modifications' with regard to geographic location and the current political and economic situation of the respective country. Although SA 8000 is supposedly valid globally and it can be applied by companies in different industries, the guidelines can nonetheless be adjusted to fit the cultural heritage, sector, and size of the production facility seeking certification. Leipziger (2001, p. 107) identifies a variety of regional issues that affect implementation. For instance, religious norms in some Muslim countries demand that men and women work separately. Segregated factories do not violate SA 8000 in these countries, as long as all other conditions (i.e., fair pay and secure working conditions) are met. Another issue that often calls for adaptation is the sector a production facility works for. Conditions in firms producing for the export market often vary dramatically from those producing for the local market (ibid., p. 108). This said, neither SAI nor currently operating auditing bodies have provided

more detailed information on the possible extent and precise handling of local modification up to this point.

Implementation at the micro-level is guided by practices known through the ISO 9000 and ISO 14000 series for quality control and environmental management and follows the well-known Plan-Do-Check-Act model (Deming, 2000). During the 'planning stage', managers are asked to review carefully the SA 8000 guidance document and conduct a self-assessment that is supposed to generate a list of problems. During the 'do' - phase, workers are supposed to elect an SA 8000 representative. Management is supposed to develop a contextualized internal manual that introduces the guidelines to employees. At this point, all suppliers should be notified about SA 8000, and consultation with external parties begins. The 'check'-phase must only be initiated once internal monitoring indicates that the production facility is audit-ready. Less expensive and less time-consuming pre-audits are often used to check whether a facility has achieved the status required. Afterwards, the main audit is carried out and the certificate awarded for a period of three years. Auditors are forced to consult with and learn from all interested parties, such as employees, NGOs, or other civil society groups. Moreover, auditing bodies are asked to implement systems (in cooperation with the certified facility) that allow interested parties to report cases of non-compliance. The last phase, 'act', reflects SA 8000's concern for continuous improvement: to prevent the audit from taking a snapshot, certified facilities undergo monitoring exercises on a semi-annual basis. Unannounced surveillance visits can occur any time (DeRuisseau, 2002, p. 228). Feedback is incorporated from multiple sources such as employees, local NGOs, or labor unions.

SA 8000 is in the process of becoming a widespread tool for ethics management in the international context (Göbbels and Jonker, 2003) since it is the first global standard for workplace conditions that is verifiable. Nevertheless, the question of whether or not the initiative supports compliance and/or integrity remains unanswered. In order to offer a structured analysis, we first assess SA 8000's impact on compliance and integrity by identifying option-excluding and discourse-opening moments that help managers to better evaluate the standard to then discuss measures to extend the initiative to include additional option-excluding and discourse-opening moments.

#### **The Impact of Social Accountability 8000 on Compliance and Integrity**

Designing an organization's ethics management based on SA 8000 opens it up for a discursive clarification of conflicts because employees become

actively engaged in launching and sustaining the resulting management system. While this enables SA 8000 to fulfill the guiding idea of integrity, the codified nature and visibility of the norms act as a stimulus for compliance. Options for individual actions are excluded by demanding clear job descriptions and plain hierarchy. We therefore characterize SA 8000 as a 'quasi-regulative' tool for ethics management and argue that in order to assess its potential one needs to consider both its option-excluding and discourse-opening moments.

With regard to the option-excluding nature, the norms for assessing workplace conditions are not determined in a Habermasian communicative rational manner, but instead predefined by SAI, and it is senior management that translates the guidelines into contextualized norms. Indeed, the SA 8000 guidance document states: 'Top management shall define the company's policy for social accountability and labor conditions' (SAI, 2001, p. 7). In practice, even if worker representation is ensured in the design of codes, individual workers have no say in the process of development of the regulations, because they just receive a copy of the policy *ex-post*. Although SA 8000 demands non-management personnel to determine a representative to facilitate communication with senior management (SAI, 2001, p. 7), it remains questionable whether or not such a form of integration can deeply embed values into the daily activities of employees as required by the integrity approach. In a similar vein, the Institute of Social and Ethical AccountAbility (ISEA) (1999a, p. 18) concludes that SA 8000 'does not include stakeholder engagement as a core part of the accounting process'.

Another option-excluding moment of the standard comes to the fore when considering that SA 8000 requires certified production facilities to demand compliance with the standard from suppliers and sub-suppliers. The guidance document urges, 'The company shall establish and maintain appropriate procedures to evaluate and select suppliers/subcontractors (and, where appropriate, sub-suppliers) based on their ability to meet the requirements of this standard' (SAI, 2001, p. 7). Suppliers are only notified about the launch of SA 8000 and asked to comply with the externally imposed guidelines. However, they are not consulted for their opinion or even asked to assess their actual ability to meet the guidelines. Not surprisingly then, Gilbert (2001, pp. 141-142) argues that such a behavior comes close to a forced self-commitment of the supplier and, therefore, misses the voluntary and dialogical nature of the integrity approach.

Yet another option-excluding moment can be identified when considering the role of enforcement via monitoring and sanctioning systems. Although we agree with Leipziger (2001, p. 70) that monitoring of activities and clear definition of roles, responsibility, and authority are necessary to ensure that the requirements of the standard are understood and implemented, we remain

skeptical whether such a top-down approach alone can guarantee compliance. Given that on its web page SAI advertises the standard to managers by arguing that SA 8000 enables a corporation to 'walk its talk', this requires more than budget breakdown charts and clearly defined lines of authority and reporting. This argument also holds for the assessment of training practices. Employees are supposed to own a copy of the manual with the key provisions of the standard. However, more than a general awareness of norms cannot be expected from such measures. As Trevino and Nelson (1999, p. 264) argue, training needs to be designed to suit the group of individuals being trained to enable people to understand and evaluate the values of the organization (also Crane and Matten, 2004, p. 147). Although Leipziger (2001, p. 76) claims that '[t]he SA 8000 Manual, with all of the policies of the company, can serve as a text for training', there is a need for critical reflection about the practical relevance of this type of training. Understanding training in terms of the provision of manuals only bears the risk that workers are left without sufficient guidance about the consequences of their day-to-day behavior.

Even though many aspects of SA 8000 seem to point in the direction of compliance, there are indeed some discourse-opening moments enabling managers to foster an integrity strategy. First, the standard has been developed (and remains subject to continuous improvement) through consensus-based stakeholder dialogue. Even though this macro-level stakeholder involvement does not directly affect integrity-based ethics management in a corporation (micro-level), it nonetheless enables management to justify the decision for SA 8000 against the background of integrity. This is discourse-opening in the sense that a firm that implements SA 8000 and/or participates in the Corporate Involvement Program is requested to contribute to the communicative process that establishes and improves the SA 8000 norm catalogue. Moving to the bottom line, we also acknowledge that SA 8000 demands managers actively seek feedback from employees. Although employees are not included directly in setting up the management system (e.g., by discussing the usefulness of certain norms), the standard asks for active participation of workers in *advancing* a company's social accountability policy. In practice, placing suggestion boxes in the workplace or asking employees to mail in their suggestions anonymously implements this discourse-opening moment. Some corporations (e.g., Chang Shin Vietnam Co.) have also installed an open-door policy that allows workers to voice their concerns (Leipziger, 2001, p. 75). Thus, there is evidence that SA 8000 also fosters integrity by demanding workers not just reproduce the guidelines but also to give feedback regarding the implementation of the regulations.

Another discourse-opening moment is constituted by the possibility of modifying pre-given norms to fit the local context. Leipziger (2001, p. 96)

points out that NGOs, because of their community involvement, often understand local needs better than managers. Considering that the standard allows for reasonable adjustments within the scope of the provided definitions (SAI, 2001, pp. 4-5), a discourse with NGOs can be of much help to interpret the guidelines to make them applicable to the local context. The requirement to communicate regularly with outside parties (ibid., p. 8) can hence be understood as a discourse-opening moment. The trust that many NGOs have built up during previous community involvement has the potential to render positive effects for managing integrity since workers may share with an NGO aspects they may not express towards management. The involvement of NGOs and other grass-roots groups can thus (a) foster the development of the social accountability policy and (b) positively influence a 'lived' value-orientation within a corporation. The discussed option-excluding and discourse-opening moments of SA 8000 are summarized in Table 7.1.

Table 7.1 Option-Excluding and Discourse-Opening Moments of SA 8000

	<b>Compliance: Option-Excluding Moment</b>	<b>Integrity: Discourse-Opening Moment</b>
<b>General Definition</b>	Exclude actions by prescribing what needs to be done Closes the organization for reflection	Ensure that employees and other stakeholders can participate in the norm-definition Process
<b>Exemplary Application to SA 8000</b>	Top management defines the social accountability policy	Overall SA 8000 framework was developed discursively
	Suppliers and sub-suppliers are forced to comply	Employees are asked to give feedback once SA 8000 is implemented
	SA 8000 is implemented in a top-down manner	Local modification requires feedback (e.g. from NGOs)

From our discussion of option-excluding and discourse-opening moments, we conclude that SA 8000 can be characterized as a 'quasi - regulative' tool. This characterization of the standard is useful because it demonstrates that SA 8000 combines many advantages of a 'straight-forward' compliance-orientation with a communicative and value-based understanding of integrity. At the same time, it must not be interpreted as only discussing those aspects of SA 8000 that are advantageous since a manager who uses SA 8000 as a tool for ethics management also faces a variety of problems. Since our framework for assessing the interrelation between compliance/integrity and accountability standards also allows for a discussion of how to extend SA 8000, we summarize possible problems with SA 8000 below and provide suggestions for a meaningful extension of the tool.

### Extending Social Accountability 8000

We argue that both option-excluding and discourse-opening aspects of SA 8000 can indeed be extended. Certainly, an extension does not necessarily mean pushing compliance towards integrity and *vice versa* but, instead, is meant to address the dysfunctionalities that hamper the positive impact of the tool. In the following, we focus on an extension of SA 8000 towards the inclusion of more discourse-opening moments since the 'fuzzy' nature of these moments tends to be neglected by management, whereas option-excluding moments are comparably more 'visible' and thus attract attention more easily and readily.

First, it seems expedient not to make supplier-commitment to SA 8000 rest *entirely* on external pressure. Many suppliers face considerable financial constraints, which do not allow them to pay for an audit immediately. In the end, such an approach is similar to passing on responsibility to lower entities in the supply chain. As a result, suppliers forced to comply with the standard will try to obtain a certification as cheaply as possible. Since monitoring by auditing bodies and NGOs can never be considered complete, such an approach is likely to result in moral mediocrity. We believe that suppliers' involvement should be understood as a more sustainable and inclusive process during which the supplier and the client interact towards mutual benefit. This, for instance, could include financial assistance for the first audits but also content-related support (e.g., through consulting) with regard to the implementation of the management system.

The discussion above has indicated that employees would need to be granted more decisive influence on the norm-definition process. After all, if employees are supposed to give feedback about the standard, why not include them from the very beginning? A stronger inclusion of workers would go beyond their representation through some sort of advocate. Corporations

would have to install 'loci' for dialogue from the very beginning and ensure an open and unbiased discourse. Gilbert and Rasche (in press) consider this point when arguing in favor of a discourse-theoretical extension of SA 8000. Drawing on Habermasian discourse ethics (Habermas, 1996, 2001), they show that employee engagement within SA 8000 can contribute to a more profound understanding of what a discourse actually is, which claims a discourse justifies, and under which conditions a 'just' discourse operates. Such clarifications act as prerequisites for demanding 'more dialogue' from an initiative. Concerning SA 8000, we believe that the standard has to extend its notion of stakeholder engagement to include the process of social accounting itself. A good point of departure for such an endeavor would be the integration of AA 1000's stakeholder accountability model into the SA 8000 guidelines (ISEA, 1999b). In more general terms, we believe that the entire field of social and ethical accounting (Gray, 2002; 2001) could benefit significantly from a discussion and potential inclusion of stakeholder theory (Freeman, 1984; Donaldson and Preston, 1995).

The last issue raised here concerns the nature of the audit itself. SA 8000 demands what can be called a 'compliance audit', i.e., an audit that checks whether the guidelines proposed have been implemented accordingly. While this is necessary, its limited reach overlooks the forces that motivated the occurrence of undesirable acts in the first place. We therefore recommend extending the option-excluding nature of the compliance audit towards a 'cultural audit'. Cultural audits seek to identify underlying causes of corporate misconduct by actively including and exploring the views and values of stakeholders (Castellano and Lightle, 2005). For this reason, cultural audits do not only exclude options for behavior, but also enable dialogue among affected parties. Such an altered understanding of the audit process has to begin with the auditing bodies themselves. It does not demand a 'check-the-boxes' approach, but requires an assessment of, for instance, employees' perception of leader integrity instead, thus placing greater responsibility on the shoulders of participating organizations. Besides using open-ended employee-interviews, this also implies that auditing bodies and certification companies have to develop a sense of judgment regarding the ethical climate within a corporation. Such prudence can be fostered actively by educating auditors about the company history, prior misconduct, the specific circumstances of its local environment, and its relation to (sub)-suppliers; in short: its context.

## CONCLUSIONS AND OUTLOOK

In light of the title of this book, a thorough investigation of SA 8000's conception confirms that it is a usable tool for turning ethics into practice. This chapter adds to our knowledge about ethics in practice in that, it (a) shows that compliance and integrity are idealized approaches to think about how ethics can be turned into practice and (b) clarifies that accountability standards support both approaches and thus, it can be used as 'quasi-regulative' tools. This chapter has aimed at introducing and connecting two worlds. First, the world of compliance and integrity as *approaches* for managing ethical practice; second, accountability standards (i.e., SA 8000) as *tools* to organize these management efforts. Indeed, our treatment of compliance and integrity and its application to SA 8000 is supposed to encompass more than a simple dichotomy, revealing both option-excluding and discourse-opening moments and how they interact, and thus demonstrating that tools for ethics management do not follow a pure compliance *or* integrity strategy. In practice, most measures support a both/and-orientation, in which compliance and integrity are integrated meaningfully. Clearly, we do not try to advocate a normative position for or against any of the two ethics strategies, as neither compliance nor integrity alone can ensure moral conduct in corporations. Integrity is not necessarily better than compliance – both approaches are different ways of managing ethics. Hence we do not derive a normative argument for a combination of compliance and integrity from this line of reasoning since we so far have to do without an empirical substantiation of our arguments. Our key finding is therefore more conceptual in nature: if we look at the key characteristics of compliance/integrity and accountability standards as described in the literature, it is reasonable to assume that many standards support both approaches.

Our remarks on possible extensions of SA 8000 also show that some questions remain unanswered. Empirical research could, for instance, focus on the scope of stakeholder inclusion in the context of local production facilities. Although Leipziger (2001, pp. 21-40) presents a variety of short cases, we still miss extensive bottom-line reports about how auditing really takes place and which problems occur – particularly in developing countries with less leverage for local civil society institutions (for a laudable exception see DeRuisseau, 2002). If managers are supposed to make justified decisions for or against a standard, we need to offer more than just one-dimensional treatments of complex tools. To understand ethics as a practice, we need more research that actually looks at how managers identify themselves with compliance and integrity, and which also measures accountability standards

that are used to implement both strategies. Finally, we would like to highlight that this framework can be applied to other accountability standards and tools for ethics management as well. For example, evolving standards like the Global Reporting Initiative (GRI) or the Global Compact may benefit from an analysis of their option-excluding and discourse-opening moments. Such analyses are timely since managers, while familiar with the content of the standards, often miss practical guidance with regard to implementation. Assessing the link between compliance and integrity as well as the effectiveness of contemporary tools catalyses the creation of much needed knowledge on implementation and helps to bridge the gap between conceptual considerations and ethical practice of which the field of business ethics has often been accused (Gray, 2001).

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