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Chapter 8: Fostering organizational integrity through governance and ethical compliance initiatives

8.1. Introduction

Companies obtain benefits for their integrity and face serious consequences when it is absent. The United States has a complex system of federal and state laws and regulations governing ethical behavior in business. This extensive scheme recognizes the inevitable tensions inherent in ethical behavior for enterprises and their owners and requires enterprises to stimulate ethical behavior and compliance and to define and punish violations. Companies are also required to disclose any material violation of the law. A company that fails to do so is liable in damages and possibly criminally responsible. Corporations and their owners borrow from society by being allowed to incorporate, limited liability, and limited capital requirements. For these loans, they are expected to provide certain benefits. Further, the system has been designed to impose costs on corporations that fail to recognize their increased responsibilities in today's society. This Social Contract of corporate social responsibility has two parts—the promise and the consequence. The promise is that managers will act in the corporation's best interests, making fair profits for owners. The often unrecognized second part is that if the corporation, in seeking its profits, causes serious social harm, its managers will be personally liable in damages to the victims or the state. In short, shareholders expect a reaction when they are affected. As far as the behavior of the employees that work for the corporation is concerned, managerial decisions simply reflect those consequences. Copies of the laws are easily available. Annual reports will certainly contain a detailed description of corporate activities and the ethical consequences. Shareholders have to ask for it and act when they find a discrepancy between their expectations and reality in what is reported and in what is done. Managers can expect the question on the board reporting form: What course of action will likely cause the greatest reaction on the part of the shareholders? The answer will probably be the one least in keeping with ethical precepts (Lee et al., 2013; Kühn & Gärtner, 2020; Alles & Gray, 2021).

At one end of the continuum, corporate governance structure controls moral contingencies and ensures compliance with laws and regulations. At the other end, the firm has guidelines describing commitments to the interests of communities, customers, employees, shareholders, and suppliers. All risk damaging the firm and its stakeholders through social irresponsibility, and yet simultaneously can be pathways to the firm's realization of stakeholder interests. Observers examine construction site safety and how a corporation handles layoffs as signs of corporate character. Researchers have found that community involvement programs can clarify this concept (Searle, 2019; Mansouri & Kahn, 2020).

Fig 8.1: Fostering Organizational Integrity Through Governance

8.2. Understanding Organizational Integrity

Organizational integrity is a corporate initiative value statement that speaks to the existence of a value-driven and ethical compliance-based culture, led by management and supported by policies, processes, tools, and mechanisms that realize an organization's objectives. Organizational integrity is a more expansive form of organizational ethics, transcending all organizational stakeholders and defined as a commitment to be fair to all stakeholders, and be true to the corporation's stated purpose. Featuring both ethical compliance and compliance with declared value commitments to all organizational stakeholders, this construct is required to control the complexities involved in corporate governance, especially given differences of stakeholder interests in the firm. Indeed, the complications of stakeholder-oriented governance oversight and agency conflicts increase when firms enter the global market, as mechanisms of external governance control evolve differently in various countries. This complexity makes organizational integrity a logical area for assessing a corporation's cultural environment – the informal rules of an organization within which incentive-based motivation and social control operate alongside formal systems of governance. Research supports a positive relationship between ethical compliance and stakeholders' perceptions of a firm's corporate reputation, goodwill, brand equity, and stakeholder loyalty.

Organizational integrity is a diverse concept.

8.2.1. Definition and Importance

Does compliance with ethical standards ensure organizational integrity? The short answer is no. It is certainly possible to act ethically, but still fall short of maintaining organizational integrity. Ethical compliance is necessary, but not sufficient to guarantee organizational integrity. Why is organizational integrity important? The relevant answer to this question certainly varies by organization type and stakeholder group. Entrepreneurs and small business owners understand that their business reputation impacts their business's bottom line. Likewise, in the case of large cooperative concerns, investors want to return and share price increase, as well as social responsibility. Employees want to work in a moral environment with an established ethical culture that internally governs organizational integrity. Consumers and clients want to know businesses honor their social commitments and produce goods and services that positively impact them. Local and national governments want to know that the businesses they deal with can be trusted to follow laws and pay taxes. Society, in general, wants to know that the businesses they allow to operate have accepted their social responsibilities.

Organizational integrity is an outgrowth of shared beliefs and values regarding acceptable behavior and organizational intentions amongst stakeholders. It evolves from stakeholder interactions, and becomes a proactive part of those interactions. Organizational integrity and stakeholder relationships are reciprocal. Stakeholders affect and are affected by organizational behavior. Their expectations influence informal business ethics, while the organization's behavior shape expectations. While ethical compliance is necessary, the ethical standards that govern actions vary by organizational and stakeholder group. As organizational integrity evolves, stakeholders want to ensure that their moral values coincide with the organization's. Similar worldviews encourage a positive perception of the organization, while dissimilar worldviews encourage a negative perception and question the organization's ethical compliance. When perceived evaluations are similar, a stakeholder's association with the organization becomes deeper over time, promoting loyalty. Conversely, differences in the perceived evaluations lead to distancing, and ultimately ending of relationships.

8.2.2. The Role of Ethics in Organizations

Business organizations engage in the production of goods and services for profit. However, this business is conducted in the social sphere, and all organizations must therefore be aware of the moral and ethical implications of their behavior. Indeed, all the behavior of organizations must be ethical, and therefore by their organizational culture organizations must enculture the ethics that serve to bind them to the society in which they live. Nevertheless, profit is the norm of business practice, and business is characterized in general by a lack of social responsibility. Ethical aspects to business transactions only surface generally in a crisis; thus it is apparent that business organizations work a precarious balance between social responsibility and profit.

Ethical culture is considered by management to be an aspect of the scenario within which the business organization functions. In this sense it is part of the environment of the organization. Ethics are engaged in two main ways. One is that decisions about organizational outcomes must be made based on the ethical culture, values, and expectations of the organization; usually, the ethical culture is considered within the organization that there must be a balancing of the outcomes of the decision from the bent of ethicality within the organization. The other way in which ethical concerns are engaged is in a more direct manner; namely, part of the decision process is a consideration of all relevant ethical issues. Upper management is wary of the concept of negotiation of ethics; thus there is a preference for more formal consideration of ethical aspects in the decision process.

Organizations must deal with many stakeholders. Stakeholders are defined as persons or groups with a vested interest in the decisions of the organization. Stakeholders have expectations regarding ethical behavior; thus ethicality and stakeholder influence from this perspective are connected.

8.3. Governance Frameworks

Evaluating governance autonomy relatively requires recognizing structures. Certainly, the more organizations are made of large, loosely connected factions that enslave the wealth of the privileged and scatter patronage for the impoverished, the smaller their relative autonomy. Historically, the model of a nation-state characterized as a set of bureaucracies dominating specific national territories has been limited. It has been preceded by such diverse formations as clan corporations and feudalism, and currently may take the form of empire, federation, or association. Since the model is limited, representative democracy is not automatically engaged in governance. A good governance model refrains from any monopolies without sensible counterweights. It does include walls against external monopolies to avoid vassalage, and internal monopolies to avoid widespread mismanagement. Its representative leaders pursue all constituents' long-term interests above their own short-term interests.

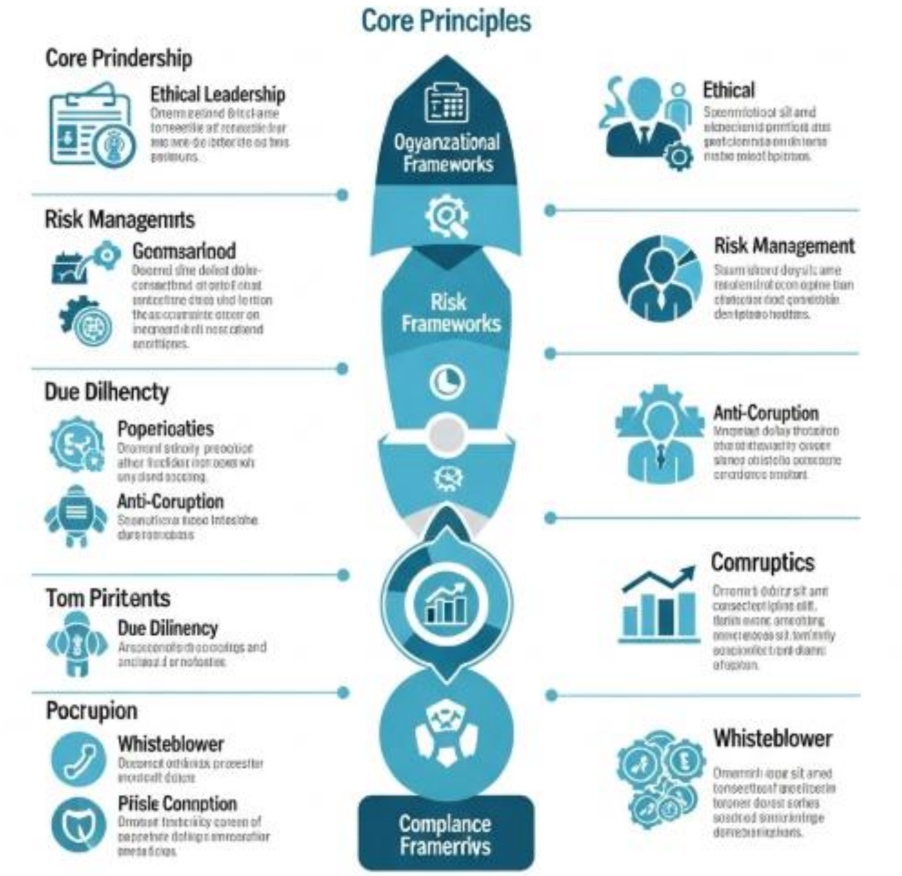

Fig 8.2: Governance Frameworks of Fostering Organizational

Charity or oligarchic power cannot be governance systems. In view of the strong claims of sociology and political theory, it makes little sense to regard any allocation of duties, assets, or powers within an organizational model as a governance structure. Such questions engage mainly political philosophy. Modern organizations have tended to concentrate within nation-states, but their delegations of task functions, asset ownership, and authority have been considerably opaque. Theories of local governance often turn on social-evolutionary notions of a historical-institutional nature but with curious obliqueness. Attempts to formalize the notion of governance structures using ideas of functions from evolutionary biology or natural selection are rarely successful. These theorists seem content to rest content with specific taxonomies of diversified companies, franchises, and alliances. Typically, the taxonomies are based on information theory, transaction costs, and agency theory in different proportions, promising only partial explanations.

8.3.1. Types of Governance Structures

Governance can take different forms. Organizations may choose to use one of a series of governance systems alone, or may choose to integrate elements of multiple systems. The most common types of governance systems are: Public disclosures and visible transparency – including standard public disclosures and annual reports audited to common international standards, an actor board of directors and organizational stakeholders are involved in organizational decision-making in terms of type, timing, and possibility of appeal; Workplace democracy. Democratically elected organizational leaders for management positions, and progressively sharing other rights often considered "property rights" or shareholders' rights within organizations with all affected stakeholders; and Legal contracts and accountability. Setting legal ethical standards of what's permissible behavior in contracts between organizations, stakeholders, and taxpayers, and holding specific actors legally liable for violations of these laws. The choice of which to pursue explicitly is shaped by norms and values about the nature and balance of relationships between each relevant stakeholder group, including organizations, shareholders, employees, customers, suppliers, creditors, and taxpayers.

Confusion arises because the term "governance" is used in some settings to mean "management." Distinguishing between the two is useful for a number of reasons. First, the two activities can be conceptually separated, and even if they are located in the same person, may not share goals. Second, the governance body, most commonly a board of directors or an advisory board, is usually smaller than the management body, but the relationship between the two is more of an insider-outsider relationship than the relationship of the CEO to the average employee and constitutes the final veto on any management proposal. Third, governance is more specific than management, in that the purpose of governance is not to see to but to assure that the organization is properly managed.

8.3.2. Best Practices in Governance

Fulfilling the needs of policymakers creating ethical business programs and corporate governance boards may require conflicting approaches. Improving general compliance accountability by developing a corporate culture in which business conduct is openly discussed and non-compliance is highlighted offers one pathway to reducing stakeholder risk. Educating board members and management regarding popular perceptions of ethical business conduct can help ease the transition to integrated ethical governance frameworks. Better managed organizations will commit resources to building an ethical brand, while reformist organizations will resist undue protection of individual management prerogatives. Each offers a type of governing approach to attracting compliance public pressure. Further integrating ethical policy planning into the governance decision-making process offers another route to ethical reform. Organizations can develop formal statements of core ethical principles, policies for implementation, detailed procedures for particular functions, and operational guidelines to facilitate decision-making compliance. Each compliance stage of the process deliberation can also have obvious and accessible systems in place. Organizations can also focus attention on ethical issues through the creation of compliance councils or committees at the board level and by creating ethics managers operating at the corporate level. Companies and organizations can also support industry and social groups working to establish compliance and good management accountability standards. Organizations can even initiate and support calls for independent business ethical compliance audits and reward ethical companies and organizations by using their products or services.

8.4. Ethical Compliance Initiatives

Compliance is the process by which organizations ensure that they observe rules, regulations, policies, and procedures intended to protect the organization and its stakeholders against fraud and other kinds of malpractice. Compliance applies to market makers, brokers, and dealers and to the employees of members of self-regulatory organizations when they are engaged in the regulated securities business on behalf of the organization. Because stakeholders maintain that the strongest incentive for organizations to comply is the market's evaluation of risk, voluntary compliance programs alone will often not be sufficient. More comprehensive compliance programs are often mandated by outside entities, including government regulatory authorities and other stakeholders. For example, public companies are mandated to implement financial compliance programs overseen by boards of directors. However, model programs are being increasingly employed, mainly in the area of financial compliance, to spur companies to improve existing but often underdeveloped internal programs. Management of corporations should be in constant communication with all active participants in compliance at all levels of the organization to avoid regulatory pitfalls and to remove obstacles to compliance. The primary compliance responsibility of the board of directors is to oversee the financial integrity of the organization and protect the interests of shareholders.

Formal written guidelines alone are not adequate to deter wrongdoing. Direct oversight and ongoing training and education are essential in order for an ethics program to be effective. Training can take several forms, including ethics orientation, ethics awareness seminars, and issue-specific training. At the organizational level, it is important that programs strive to strengthen a culture of ethical behavior, increase employees' awareness of resources and support for ethical behavior, clarify ethical obligations, and improve working relationships. Ethics training should help employees recognize actual corporate dilemmas that are faced on a day-to-day basis, and the ethics programs should outline modes of action for employees to take.

8.4.1. Developing Compliance Programs

Compliance and ethics risk management programs can support the goals of an organization's compliance and ethics regime. These programs typically begin with a compliance assessment, or risk assessment, which seeks to identify which legal compliance issues are of considerable importance to the organization, as well as what specific codes of ethics should apply to a particular organization. The programs may also include input from outside experts, including lawyers who specialize in corporate compliance, consulting firms, or technical experts in related fields, but the safest and most effective compliance initiatives are undertaken by the organization itself. Compliance initiatives are implemented in the form of policies, procedures, and external communications created and distributed by the organization.

Organizations are making serious strides toward making compliance programs more than just check-the-box exercises. Advisories have put organizations on notice that, when it comes time to evaluate the effectiveness of compliance programs, investigators will take a hard look at how thorough and meaningful the compliance efforts actually are. Government agents will dig deep into a compliance program's workings to evaluate whether it has been carefully crafted, and as noted, the authorities may in certain cases employ complex tests to evaluate the effectiveness of a compliance program. Organizations can start addressing the lessons learned from these industry and government advisories and evaluations when designing, drafting, or updating their compliance programs. Various standards and frameworks exist to assist organizations with their design, implementation, and evaluation choices. Because compliance standards should be tailored to the organization or industry, however, organizations should also take into account their specific circumstances when making these difficult decisions.

8.4.2. Training and Awareness

Training and awareness programs are critical components for communicating organizational values. Firms' missions and values can be weakened if ethical codes are merely displayed in organization manuals, printed on coffee mugs, or presented as framed posters on the wall. Employees and business partners are more likely to recognize the importance of ethical values and compliance programs when they participate in activities and discussions regarding the code of ethics. Organizational leaders must be committed to these values in order for uses to retain meaning and for compliance programs to be effective. This means that policies must be reinforced and enacted after important missions, values, and policies are initially conveyed and enforced. Involvement and enforcement can take many forms, from question-and-answer sessions to open discussions at meetings and corporate retreats, to, at their most extreme, being encouraged or even mandated by upper-level management, to being present at a social occurrence. Some informal, social events may allow for discussions about ethical values and dilemmas in a context that is outside of the work platform and, therefore, more relaxed and conducive to open dialogue and debate. When supervision is visible, employees are more aware of corporate expectations. Essentially, it is an act of accessibility.

The main goal of training programs is to provide employees and business partners with the knowledge to enable them to make better decisions when faced with ethical dilemmas. Consequently, a training program regarding the organized ethical values contained in the code of ethics must raise greater awareness among employees and emphasize the important issues addressed by the compliance program. Periodic training and retraining on proper conduct is essential. Courses and discussions regarding hypothetical ethical dilemmas will increase an employee's ability to recognize potential ethical violations. In the event they do occur, regular training will also enhance their ability to respond appropriately. E-training is a very effective way to accomplish this goal in a cost-efficient manner.

8.5. Risk Management and Ethical Compliance

Risk management, as generally understood, is meant to protect organizations from potential harm. For the most part, risk managers are concerned with investment risks, financial market fluctuations, credit, operational mishaps, business continuity, data security, and all the other areas that would lead to a loss of revenue, unnecessary expenditures, calamity, and fallout from poor planning or unforeseen catastrophes. Apart from these, another frequently overlooked area in the implementation of risk management is potential harm caused by unethical behavior or violations of the legal framework of corporate governance. An organization whose employees are engaged in unethical behaviour or violate legal and regulatory requirements can suffer irreparable damage, and perhaps even an irreversible blow to its reputation. Electing risk managers whose duties and responsibilities include ethical risk management is a strategy smart organizations adopt. To achieve such a risk management initiative, the support from the board of directors, senior management, and the ethics office is important. Risk managers need to join the discussion about ways to integrate ethical practices into the culture of the organization.

Ethical risk management is about identifying potential harm to stakeholders, and to the organization itself, posed by communications or actions that violate ethical standards set by the organization. It is about identifying actions and behaviours that are unethical, although not illegal, and are likely to lead to negative consequences for both the organization and its stakeholders. Employees have come to expect organizations to have corporate social responsibility policies and mission and values statements that promote and enhance ethical behaviour. Ethical risk management is about identifying any potential disconnects between an organization’s public promises and its actual practices. Today, stakeholders are quick to gauge whether an organization respects its own CSR and mission statement commitments. Any discrepancies between the ethical tasks the organization has set for itself, and the actual behaviours it engages in can lead to serious and immediate blowbacks from consumers, shareholders, investors, and employees.

8.5.1. Identifying Ethical Risks

With the increased focus on ethical governance, organizations must better understand their exposure to ethical risks. Conventional risk assessments typically align with a triple bottom line—monitoring and mitigating losses relating to profit, planet, and people. Ethical risks, however, can be overlooked by traditional models that emphasize financial and operational metrics. Ethical risks do not regularly appear in balance sheets or annual reports. As organizations are increasingly scrutinized by external stakeholders for unethical or irresponsible conduct, the real costs of unethical leadership are liable to come from previously unnoticed areas.

Organizations must manage and develop assessment tools that identify ethical risks. Understanding an organization's ethical risk profile requires an examination of the substantive risk that exists based on the organization's sectoral location; the organization's applicable regulatory and compliance regime; the structure and values of the organization as understood from the perspective of its stakeholders; the controls regarding ethical conduct that are in place in the organization; and whether the organization has undergone any crisis events that either exposed or went undetected in the context of that crisis.

Fig 8.3: Fostering Organizational Integrity Through Governance and Ethical

8.5.2. Mitigation Strategies

The first task of the risk assessment process is to identify the ethical and moral risks that may impact the organization. After ethical risks and vulnerabilities have been identified, the organization needs to outline its ethical commitment to avoid violating ethical principles during the performance of its core business activities. To this end, the organization should explicitly document this commitment through an ethical compliance initiative, such as a code of conduct. In addition, key governance decisions addressing various ethical and compliance issues should be clearly stated in the organization's code of conduct. For instance, these key ethical compliance policies should specify whether violations of the ethical principles will be punished, where the lines are drawn on certain key compliance issues, and which employees are authorized to implement the organization's ethical decisions in various ethical dilemmas. Implementing risk-specific governance guidelines that address key ethical issues specific to the organization's key institutional risks is a critical and necessary but not sufficient step in establishing a functioning ethical compliance initiative. To complement these risk-specific ethical policies and ensure their implementation, a functioning ethical compliance initiative also relies on governance mechanisms to establish ethical compliance as a priority within the organization.

Among others, communication, monitoring, training, and punishment, as part of a mixed compliance strategy of persuasion and deterrence, play a key role in ensuring the effective implementation of ethical compliance policies. Communication is necessary to ensure that employees not only have access to the ethical guidelines but also understand what the organization's ethics policies mean for their daily work. To keep ethical compliance on employees' radar screens, regular top-down communication about ethical compliance and the importance of ethical compliance should also be made part of the corporate culture. In addition, the organization should train employees to enable them to make ethically sound decisions when confronted with ethical dilemmas in their daily business activities. This is especially important, as it is not enough to just tell employees that they have to avoid violations of the organization's ethical compliance guidelines.

8.6. Leadership and Organizational Culture

There exists an interdependence between ethical leadership and a culture of ethical values, principles, and norms within an organization. This is a relationship comprised of a continuous cycle of influence and reinforcement – one that runs in both directions. As such, ethical leaders derive their meaning and purpose as leaders from the ethical communication, motivation, and behavior of their organizational constituents, while simultaneously helping to create this ethical perspective through the signals they send by their own ethical communication, acts of integrity, and caring treatment of other people. In simple terms, ethical leaders also need ethical followers, but the ethical followers also need ethical leaders. More formally and abstractly stated, the culture of an organization is the meaning-making system that is shared by its members and that influences their attitudes and behavior. An ethical culture is that subset of the culture of the organization that provides rules, norms, and values governing ethical and unethical conduct of members within the organization.

A large body of research supports the importance of ethical leadership. Studies have found that ethical leaders' actions strengthen or activate their subordinates' moral identity, which in turn decreases unethical behavior by subordinates. Other studies confirm that ethical leader behavior reinforces or strengthens the moral identity of followers and that followers are less likely to engage in dishonest and unethical work behaviors when they perceive their leader to be ethical and caring. It has also been shown that ethical transformational leadership enhances individual follower moral ownership, which in turn has a positive performance effect.

8.6.1. The Role of Leadership in Ethical Behavior

The first set of ethical issues stems from the wide discretion that executives have over the firm's ethical rules. If the organization's ethical culture must ultimately be validated or invalidated at the top, then the equal responsibility that these managers have is to exemplarily demonstrate ethical behavior across the spectrum of disclosures that are made to different stakeholders. Within the organization, these are the objectives that are necessarily fulfilled by any ethical corporate disclosure: Fairness for its own employees, acceptance of moral responsibility towards those whom its commercial activities impact, and enforcement of correct business conduct in its dealings with business partners and competitors. Outside the organization, it provides guidance to the members of the organization and relieves them of stress. It acts as a bulwark against the danger of self-serving ethical lapses by creating the need for consistency in private and public ethical behavior, which can be iteratively reinforced by visible behaviors of the organization's leadership. Shareholders demand truthful information about the firm's efforts in optimizing their investments, the ethical aspect of which is the use of public disclosures as an instrument for earnings management.

Any violation of this rule increases the uncertainty factor bordering on opportunism in the employer-employee relationship, which in turn adversely affects both motivation within the firm and resource allocation efficiency across the economy. The objective of the disclosure culture is to benefit the firm at the same time that the stakeholders are safeguarded against opportunistic behavior. Corporate leaders must ensure that all major stakeholders decide to protect themselves against the threat posed by investment in the firm's brands by developing a culture that utilizes public disclosures to demonstrate the intrinsic wish to avoid ethical lapses.

8.6.2. Cultivating an Ethical Culture

Although leaders and supervisors have the greatest influence on employees' perceptions of what is appropriate, they are not the sole promoters of ethical culture. Everyone must contribute to an overall sense of moral commitment. Whereas the informal organization consists of the many factors that influence employee behavior but are not explicitly recognized by the corporate hierarchy, the formal organization consists of the corporate hierarchy, policies, and ethical codes. In the end, both formal and informal organizations must be integrated into a single ethical organizational culture. Both the formal and informal culture are at work when organizations make choices about strategy, careers, rewards, motivation, and decision models. For example, although most organizations have high ethical standards and commitments to community and environment, any organization rewarded for performance alone may find that this is usually the strongest motivation directing employee behavior. Lowering price at the expense of quality or higher productivity at the expense of laid-off employees may quickly become the apparent business strategy.

A strong ethical culture is driven from above. The tone set by leaders often dictates the actions and reactions of subordinates. The tone is sent whether leaders verbalize their values or not. As a result, leaders must express their values clearly and unambiguously. For the most part, however, ethical words and thoughts aren't enough to reduce the ambiguity about the organization's ethical culture and ethical beliefs of leaders. Employees, traders, customers, and everyone associated with the organization look to leaders to exemplify these values through their actions and decisions.

8.7. Conclusion

Governance and ethical compliance initiatives are no longer an option in today's business world; they are essential. And not just because they stand as a bulwark against financial ruin due to lawsuits, settlements and fines, but because they are fundamental to business success. They are the platforms for the design and implementation of the management systems that provide assurance to shareholders and investors. Governance and ethical compliance initiatives proactively foster the bricks and mortar of the internal frameworks and management systems that organizations require to achieve and sustain financial success, in association with, and on behalf of, all stakeholders. Ultimately, it is their foundational requirement. More than a rationale for what organizations do, their code of conduct and supporting management systems are the very foundation of logic that enables and empowers steadfast operational effectiveness, risk avoidance, and investment prudence.

As with much in the business world, the future will require even greater fulfillment of the already high expectations for governance and ethical compliance initiatives. The daunting challenges of conducting business in a resource-limited world where transparency is assumed and compliance is no longer a factor to be factored into cost considerations will require even more sophisticated, engaged, and demonstrably effective governance and ethical compliance initiatives than is already the case. Automated decision support systems based on artificial intelligence and embedded within the everyday decision-making processes associated with all business life will ensure that the interest of all stakeholders are taken into account. Organizations will manage their reputations with an attitude of "make a mistake and it will be on YouTube in 5 minutes."

8.7.1. Future Trends

Businesses must prioritize the protection of their reputation, public trust, and investor confidence in an uncertain world. Organizations are increasingly at risk of substantial financial losses and harm to their reputation if they engage in unethical conduct. The trend is moving toward increased government enforcement, crowd-sourced truth-telling, and other mechanisms by those with standing against corporations that fail to embrace ethical corporate conduct. Board members must hold management accountable for maintaining and communicating a truthful vision of corporate purpose, committing to design and governance excellence, and ensuring adherence to the highest ethical standards, otherwise, they stand to be held accountable for their inaction. Corporate governance has become far more complex with the advance of 21st century technology and stakeholder models that encourage the idea that a company should be run primarily for the benefit of all stakeholders — and not just for shareholders. Enabling technology to raise investor awareness of corporate wrongdoing has never been more available than it is today. An entire untethered industry has sprung up to investigate and expose corporate malfeasance, including hacktivists, class action attorneys, social media, whistleblower hotlines, and short-sellers. While they can create a fertile hunting ground for activists, use of these tools can have a very positive impact if companies take advantage of their abilities to pursue and report on troublesome issues. For starters, companies can proactively offer access to their cyber and physical security mechanisms to testing agencies and activists — as well as the public at-large — in order to avert calamity. Furthermore, companies should address governmental push-back by illustrating how carefully vetted, collaborative coalitions built on corporate missions, values, and commitment to the common good can generate many positive results for all stakeholder constituencies.

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