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## Managing Ethical Risks and Crises: Beyond Legal Compliance

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### ABSTRACT

Recent interest in culture stems from its power to explain corporate and organizational failures. Such failures are both internal and external: accounting fraud, management misconduct, harassment and bullying in the workplace, racism, sexism, environmental issues, and health and safety concerns. Current theory holds that these failures are to be explained partly by the particular, poor organizational culture and unhealthy climate, poor leadership, and by the misdeeds of a few bad apples. When economic conditions are negative, organizations look to legislation, regulations, and codes, to reform their culture, and manage the risks of organizational failure. Both the compliance strategy, demanding obedience to laws, regulations and codes, and the integrity or values strategy, focusing on ethics training, education, tone at the top, and the hiring of employees with integrity and values, are the mainstay of recent legislation and regulations in North America and the European Union. We criticize the reliance on legislation, regulations and codes, the focus of a compliance solution which we find inadequate, ineffective, and unenforceable. We suggest reliance on a front-end, proactive and preventive program of best, precautionary practices, will better meet the challenge, in prosperity or poverty, of setting corporate culture on the right track.

### KEYWORDS

Organizational Behavior, Business Law, policy, ethics

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