

**BRITISH ACADEMY
OF MANAGEMENT**

BAM
CONFERENCE

3RD-5TH SEPTEMBER

ASTON UNIVERSITY BIRMINGHAM UNITED KINGDOM

This paper is from the BAM2019 Conference Proceedings

About BAM

The British Academy of Management (BAM) is the leading authority on the academic field of management in the UK, supporting and representing the community of scholars and engaging with international peers.

<http://www.bam.ac.uk/>

BAM CONFERENCE 2019 REVISED PROPOSAL Developmental Paper:
The 'ETHICS RASCI' Governance Landscape Model

BAM CONFERENCE 2019 REVISED PROPOSAL Developmental Paper:
The 'ETHICS RASCI' Governance Landscape Model

Author: Nigel Brown
Department of Management and Human Resources
Faculty of Business and Management
Regent's University London, Inner Circle, Regent's Park, London, NW1 4NS
T: +44 (0) 207 487 7695 | brownn@regents.ac.uk
www.regents.ac.uk

Abstract

The 'ETHICS RASCI' Governance Landscape Model

A proposed framework at a developmental stage, which is specific to the areas of governance / ethics. The model is intended to help students, start-ups, new entrants, individuals, practitioners, organizations and governments describe and understand a complex network of entities which make up an organization's internal and external governance landscape. The emphasis is on the guidance of ethical behaviour within the firm and to understand the effect the external bodies might have on the internal systems.

The framework at this stage is descriptive and suggests 6 elements for a company's internal ethics landscape (External Links, Top Management, HR, Incentives, Culture And Systems) and 5 elements for the external ethics landscape in which the firm operates (under the headings Regulators, Advocacy, Sector-specific, Culture and Informational).

Further refinement is necessary of the framework, progress will be made before conference where changes will be presented and feedback gratefully received.

1. Background, antecedents and origins

Many areas of endeavour have their associated descriptive models. PESTEL and its relatives (variously attributed to Aguilar (1967) and Arnold (1970) are common frameworks in business and marketing, COBIT in IT, and SWOT analysis will be familiar as a strategic framework.

Frameworks and conceptualizations exist for internal and external systems of governance in the contexts of business reporting (Beerbaum 2015), shareholder ownership structures (Gilson, 2006), accounting software (Wilkin and Chenhall, 2010), boards of directors (Kim, 2016), state-owned enterprises (Hua et al, 2006), and the internet (Cerf et al, 2014) among many others. There are also explanations of governance systems in different regions of the world (most notably Weimer and Pape, 1999).

I propose a two-tiered model (diagram in Appendix 1 below) of internal systems and external organizations which may influence ethical thinking and behaviour within companies, industries and countries.

Appendix 1 shows the generic version, Appendix 2 applies the model to the external governance landscape for the UK hospitality sector, while the Appendix 3 covers the UK car-manufacturing sector. These are for illustrative purposes only, the key to the model in the real world will be the application to a specific organization by those most familiar with the environment in which the firm operates, in discussion with those who may have less familiarity or different perspectives.

The model proposed is derived from an analysis of industries in the UK but is intended to be adaptable to any national context. Different jurisdictions of course have different names or forms for each equivalent if they exist, and they vary over time and from country to country in terms of power, reach and influence. International bodies of course will have influence in many countries, and international companies will be subject to multiple systems of governance at the same time.

Within each of the RASCI sections a selection of elements (organizations, trends) is presented which is by no means intended to be definitive. No internal structure within each section is implied. The dynamic complexity of each of these sections means any effort to pin it down would become obsolete very quickly. One element that is very likely to be consistent, when applied to most contexts, is that there will be an international aspect. Also, in some cases (most notably the FRC and UKCGC) there may be a connection with the other segments, and in

some cases may be interchangeable. For example sector-specific news organizations may have an advocacy role as well as an informational one, while at the same time being part of the support for the sector.

The discussion process around the application of the model will be more important, in my view, than the categorization of the elements identified. It will generate discussion, sharing, and learning among those involved, and greater familiarity with the industry and the players, as well as with the ethical issues involved.

The model proposed is purely descriptive. Any analysis resulting from it would need to be carried out by those entities in relation to their specific environments, with their influences, their history, their aspirations and so on.

2. Relevance / application

1. Performance may be encouraged and enhanced if a firm can organize and/or be aware of its internal and external governance landscape to identify weaknesses, duplication and absence of reporting channels, for example, with this model as a starting point.
2. The unashamedly populist use of the word 'ethics' as an acronym for the internal components is intended to be a useful aide memoir so awareness can be raised among stakeholders of ethical issues on a basis which is comprehensive and meaningful but not bureaucratic.
3. Individual employees, and indeed many senior managers, may be identified as lacking knowledge or appreciation of the company's systems as a result of this analysis, this may otherwise be hidden. Training may be initiated as a result.
4. Attitudes may change, behaviours and company rituals may be challenged
5. Students, start-ups, strategists, ethics committees, senior managers, board members and shareholders may find it useful to understand the direct and indirect influences on their own internal ethical systems, as well as their systems themselves, and the bodies which may become relevant at points in procedures relating to ethics / governance.
6. Governments may find it useful to plan or at least influence, as much as is feasible, a nation's governance landscape. For example in the wake of the Odebrecht scandal in Brazil (still not fully settled) the clear gaps became apparent within the 'ethics ecosystem' (Cerf et al, 2014), and a need to address the flaws on a national scale became urgent.

3. The focus on systems for the internal landscape, and organizations for the external landscape.

The emphasis in this model of the internal landscape focuses more on flows of information, attitudes, routines etc than on entities within the firm. The external governance sections of the model focus almost entirely on the entities. This difference in emphasis stems from the following observations:

Individuals within companies move on and departments come and go much quicker than do the organizations in the external governance landscape, and these structures have much less in common from company to company, hence the belief that looking at internal systems, routines, procedures is a more effective way of describing governance activity within a firm. The generic descriptor 'reporting' is common to all organizations, for example.

An 'entity' might be an ethics officer, or a code of ethics perhaps, but these entities are meaningless without the systems around them (Enron famously had a 65 page code of ethics).

Effective ethics systems exist because they are maintained by the people who use them, not necessarily those who are in hierarchical control of them, or those entities within whom these systems function. So using the systems as a focus seems more appropriate than the entities.

Systems in the external governance landscape are of course as important as the entities themselves, as in the internal environment, but here the institutions have a more pivotal role in creating, driving and maintaining the systems.

The external entities listed here in most cases have key role in the landscape: to enforce the law, to investigate wrongdoing, to regulate industry behaviour, to report the truth etc, and so their existence drives the systems.

Effective ethics systems in the external governance landscape are driven by the entities set up to promulgate those values. However the ways that systems in the external governance landscape work may differ from one's expectations, and so an understanding of the specific bodies and their own internal processes is seen as more useful than having an understanding of how a system is *supposed* to work.

4. The Internal ETHICS systems.

Please see Appendices 1 to 3 to see the context of this component.

Please note, for students and practitioners it seemed appropriate to use a relevant acronym as an aide memoire. Some of the elements in some contexts will be interchangeable – it is up to the user of the tool to decide how to adapt it to their own unique circumstances.

E – External links: the systems where contact with the outside world informs ethical behaviour within - especially independent auditors who will be able to identify and consult on ethical issues, but also direct and indirect links through contacts with suppliers and other stakeholders

T – Top Management Team / Tone from the Top: the system where attitudes and behaviour relating to ethics are communicated from senior levels of the company to inform and drive behaviour at all levels.

H – HR / Hiring: the systems where a set of values and practices is nurtured and driven by HR and line managers, reinforced through taking on new hires who align with these values, further enhanced through induction, training and other HR initiatives.

I – Incentives: the systems where in an ideal world exemplary ethical behaviour is rewarded, publicized and emulated, regardless of the pursuit of profit, for example, and where unethical behaviour is dealt with clearly and fairly, and used to help avoid such behaviour in future

C – Culture: the systems where all members of the firm learn very clearly the reference points for ethical behaviour which become part of every day life, where ethical issues are discussed openly and appreciated at an emotional level. Ethical behaviour becomes part of 'the way we do things around here'.

S – Systems: in addition to the systems above many other systems are needed to for the firm's ethical approach to function effectively. These would especially relate to reporting systems involving communications between, for example, the following internal bodies or systems: the ethics committee, line managers, union reps, victims, perpetrators, non-participants, board members, whistle-blowing initiatives, JCC, the audit committee etc.

5. The External RASCI Governance Landscape

Please see Appendix 1 to see the context of this component.

Those entities which have a direct or indirect influence on ethical behaviour within organizations. The categories are set up on the basis mainly of the key functions of the component organizations. Of course there will be considerable overlap between categories and many entities (and their sub-functions) will fall into multiple categories depending on the perspective of the user of the model. The examples given are generic, the detail of each area depends entirely on the perceptions of the user and the company / industry in which they operate.

As mentioned above this is intended as a flexible model and is in no way intended as a definitive representation. The 'RASCI' acronym is suggested as a convenient aide memoire

R – Regulatory and related bodies:

Regulators themselves have varying powers but ultimately enforce law. They may originate within government but may operate independently, they may set standards and monitor and control activity within sectors, often with fairly strong powers to act against unethical behaviour. The bodies listed here may not be sector specific but are involved at some level in enforcing the law. Of course most of them have an informational / advisory role, among others, but in terms of their key functions within an industry it seems fair to include them here. Included here also is what the author has termed a 'standard package' of UK legislation which any company should be aware of if they hold customer details, employ anybody or have premises. The assumption as regards ethics is that each law has been created in good faith, and that complying with the law is ethical in itself. This is of course debatable at the generic level, and indeed essential to debate at the level of the user in his/her own context.

A – Advocacy: A catch-all term which would include range from campaign groups, wider media initiatives, to ombudsman services. Their services, communications, recommendations and public appearances can influence companies' ethics-related systems.

S – Sector-Specific Support: trade associations, publications, conferences, unions, training bodies, accrediting bodies; stakeholders within this section may be general staff or managers, or both.

I – Informational entities: those bodies which investigate and report and provide information for all stakeholders involved, mainly the press and broadcast media, but of course social media has a growing influence. They are generally seen as intentionally objective but may become advocates on particular issues.

C- Cultural issues. This is specifically not a set of entities. This refers to the sets of attitudes and beliefs in wider society (nationally or wider) which may have an influence on a firm's ethical behaviour. 2019 issues would include wider reluctance to use plastic, greater willingness to tackle climate change, growing skepticism about executive pay etc, which may be significant influences in some contexts. These may affect the attitudes of employees themselves, of top level decision makers, or customers. This may also affect political willingness in central or local government to enforce the law / regulations in specific cases.

7. REFERENCES:

Aguilar, Francis (1967) Scanning the business environment.

New York, Macmillan. Cited in, for example: <https://www.hbs.edu/news/releases/Pages/aguilar-obituary.aspx>

Beerbaum, D. (2015) Towards an XBRL-enabled Corporate Governance Reporting Taxonomy: An empirical study of NYSE-listed Financial Institutions. University of Surrey DBA Thesis. Available from:

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2665393

Brown, A (1970) cited by Rastogi, N and Trivedi M. K. (2016) PESTLE TECHNIQUE – A TOOL TO IDENTIFY EXTERNAL RISKS IN CONSTRUCTION PROJECTS. International Research Journal of Engineering and Technology (IRJET) e-ISSN: 2395-0056 Volume: 03 Issue: 01 | January.

Available from: <https://www.irjet.net/archives/V3/i1/IRJET-V3I165.pdf>

Gilson, Ronald J (2006) Controlling Shareholders and Corporate Governance: Complicating the Comparative Taxonomy. Harvard Law Review Vol. 119, No. 6 (Apr., 2006), pp. 1641-1679. Available from:

https://scholarship.law.columbia.edu/cgi/viewcontent.cgi?article=1948&context=faculty_scholarship

Hua, J. Y, Miesing, P, and Li M (2006) An Empirical Taxonomy of SOE Governance in Transitional China. Journal of Management Governance. 10:401–433

Kim, Young U (2016). A TAXONOMY OF NATIONAL GOVERNANCE BUNDLES ACCORDING TO A ROLE-BASED TYPOLOGY OF CORPORATE BOARDS. Nottingham University Business School China, Ningbo

Cerf, Vinton G. (Chair) et al., “ICANN’s Role in the Internet Governance Ecosystem,” Report of the ICANN Strategy Panel, February 20, 2014.

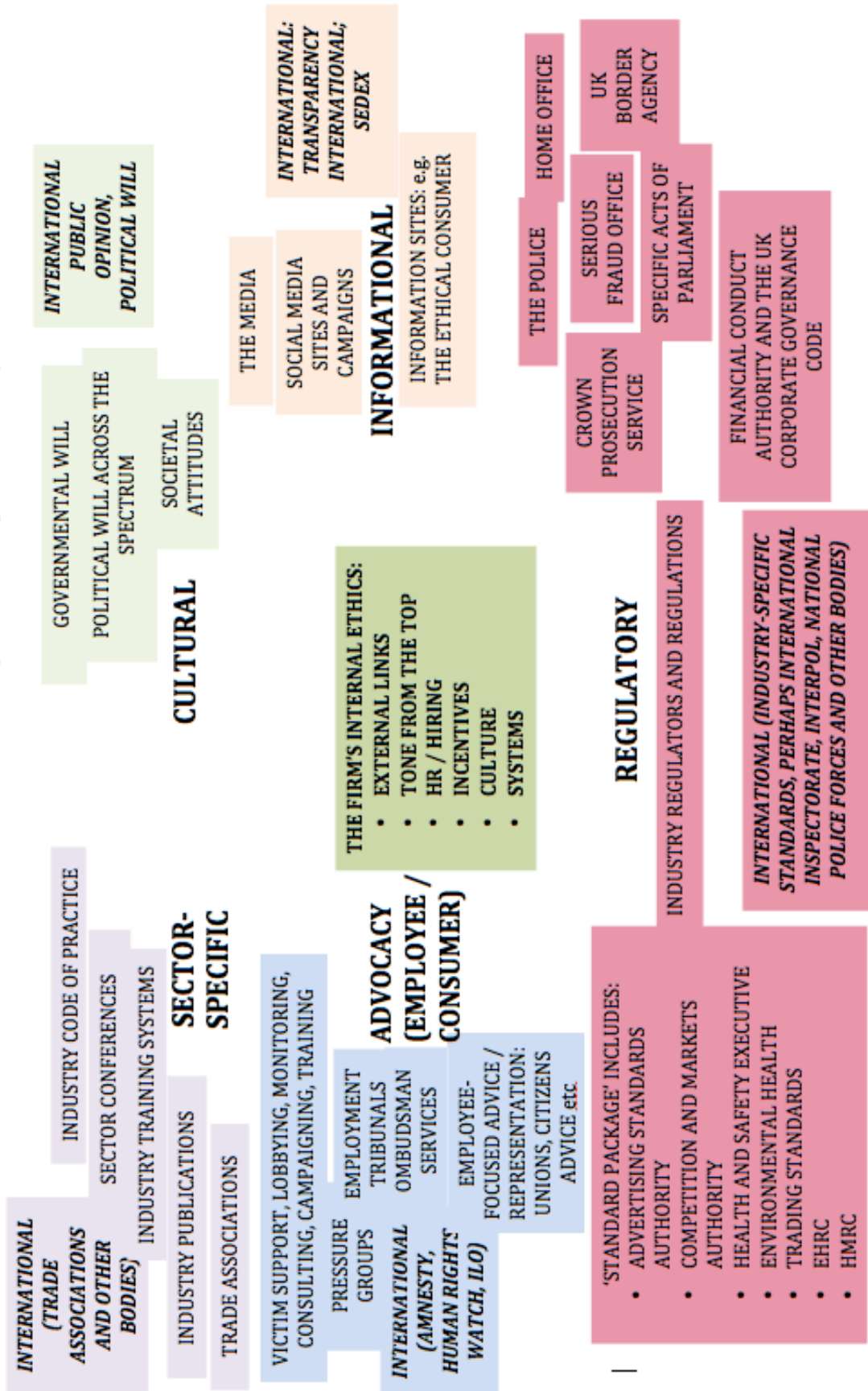
Weimer, J., & Pape, J. C. (1998). A taxonomy of systems of corporate governance. (BETA publicatie : preprints; Vol. 23). Eindhoven: Technische Universiteit Eindhoven, BETA. Available from:

<https://pure.tue.nl/ws/files/4341350/515631.pdf>

Wilkin, Carla L and Chenhall, Robert H (2010). A Review of IT Governance: A Taxonomy to Inform Accounting Information Systems. JOURNAL OF INFORMATION SYSTEMS American Accounting Association Vol. 24, No. 2 DOI: 10.2308/jis.2010.24.2.107 Fall 2010 pp. 107–146. Monash University

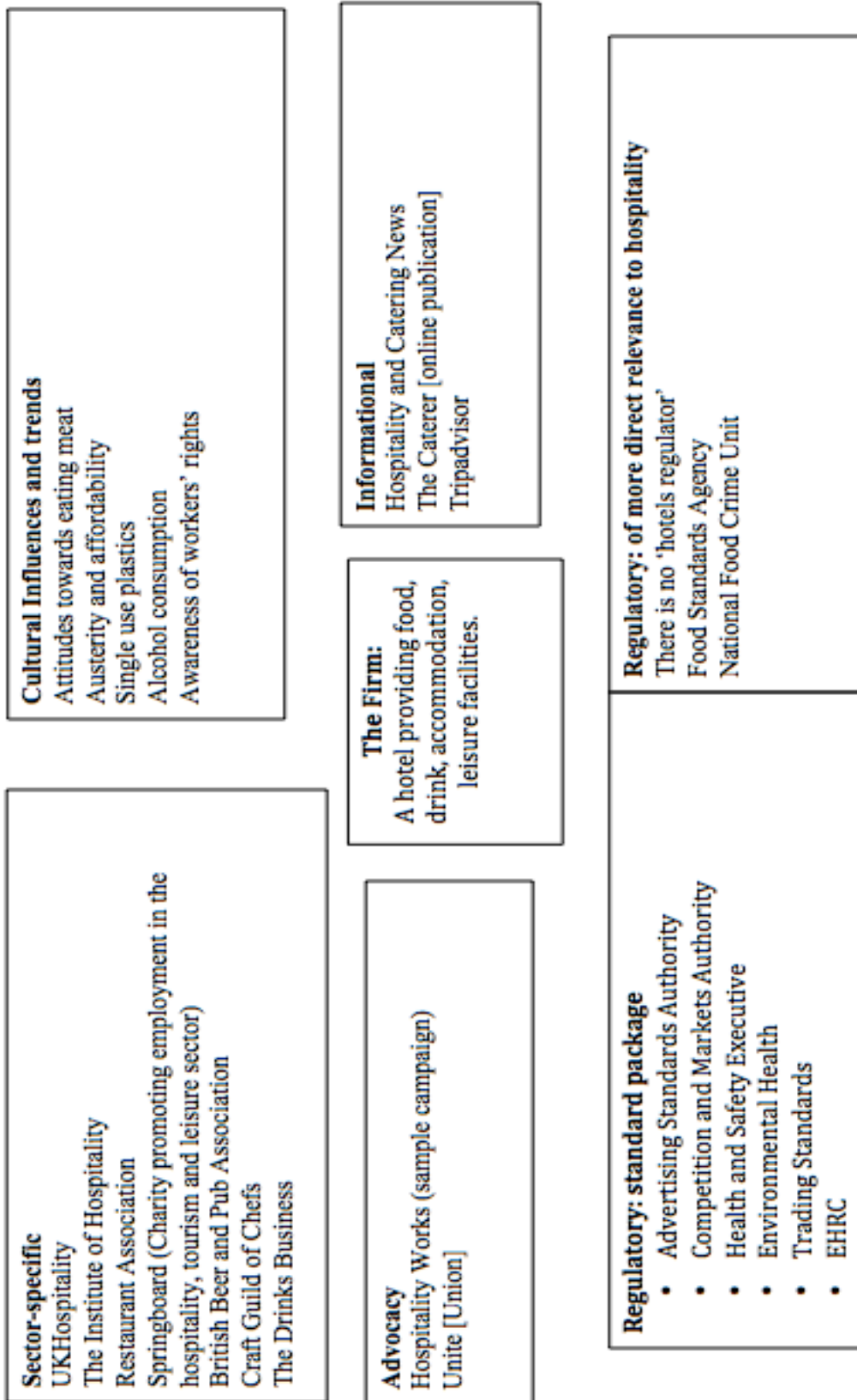
Appendix 1. The 'ETHICS RASCI' Governance Landscape Model

THE GOVERNANCE LANDSCAPE: RASCI ETHICS ©Nigel Brown / Regent's University London 2019



Appendix 2. The 'ETHICS RASCI' Governance Landscape Model: UK Hospitality Sector

Please note: this is based on the hotel sector which as a provider of food, drink, accommodation and leisure facilities is intended to represent the hospitality industry at a generic level to illustrate the application of the model. The nature and intensity of influence on the internal ethics of the company would be the subject of further study or application by the firm. The elements listed are necessarily indicative.



Appendix 3. The 'ETHICS RASCI' Governance Landscape Model: UK Car Manufacturing

Please note: this is based on a generic car-manufacturing firm and is intended to represent the industry at a generic level to illustrate the application of the model. The nature and intensity of influence on the internal ethics of the company would be the subject of further study or application by the firm. The elements listed are necessarily indicative.

