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Beyond codes of ethics: an integrated framework for stimulating morally responsible behaviour in organisations

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Abstract

This paper contributes to the study of ethics programmes by the building of a theoretical model for implementing an ethics programme and examining the application of this model to an actual implementation case study. Ethics programmes aim at stimulating ethical behaviour in the organisation and assisting employees to act in a morally responsible way. It is proposed that for an organisational ethics programme to be effective, five dominant conditions are necessary: awareness of formal organisational goals and corresponding informal norms; suitable procedures for decision making; correct distribution of resources; presence of necessary skills; and personal intentions for ethical behaviour. Following detailed discussion of each condition, and with reference to an actual case example, the conditions will be further developed and supplemented with suggested organisational activities that could be used to support these conditions.

Context of ethics programmes

In the USA alone Goodell (1994) has indicated that over half of the US organisations surveyed maintain a code of ethics (60 per cent), a third have ethics training (33 per cent), and an equal number have an ethics officer (33 per cent). In the literature there are many definitions and descriptions of ethics programmes. Ferrell *et al.* (1998, p. 359) state that an effective ethics programme is a process of continuous activities that are designed, implemented and enforced to prevent and detect misconduct. In this article we use a definition similar to that of Ferrell's with a further attempt to bring the discussion out of the governance domain and to a more practical level. As such, ethics programmes are referred to as a coherent set of actions directed primarily at the operational level in order to stimulate morally responsible behaviour of persons in a specific organisation.

Although sometimes a minor distinction, in this article we wish to focus on ethics programmes that are predominantly internally motivated and have not been introduced in response to external pressure^[1]. External pressure being, for example, such factors as the revised provisions in the Sentencing Guidelines in the USA, and the Cadbury Report and its recommendations in the UK. Internally motivated programmes usually attempt to build upon certain ethical values that are perceived as central to the organisation. Internally motivated programmes try to guarantee that behaviour in the organisation is in congruence with these values and, in order to ensure that decision makers in an organisation are able to act in a morally responsible manner, certain preconditions have been established. To explore this further, we will attempt to build a theoretical framework for ethics programmes aimed at stimulating morally responsible behaviour in an organisation that encompasses these preconditions.

Framework for implementing an ethics programme

When contemplating the design and implementation of an ethics programme in an organisation, it is appropriate to first examine the preconditions that may be necessary in order for individuals to behave in a morally responsible manner. These preconditions concern different levels of business ethics, notably the political, organisational and individual levels. Each of these different levels is worth explanation and the specific preconditions at the organisational and individual level determined. Having identified these preconditions, and in an effort to link theory to practice, a review of an actual, newly-designed ethics programme recently introduced in a utility company in Asia will be undertaken to ascertain whether these theoretically-generated preconditions have, in fact, been met.

Different levels of business ethics

When discussing business ethics, three different levels are frequently discerned. A macro level that focuses on the political system, a meso level that concentrates on the organisation as such, and a micro level that elaborates on individuals inside organisations (Steinmann and Löhr, 1996)[2]. Examining first the macro level, some authors claim that moral responsibilities should be included in the political system, because there is, in the long term, no possibility for individual firms to go against the market economy (Homann, 1994). Therefore, in the ideal situation, legislation, the market mechanisms and power bases within trade should guarantee that morally irresponsible behaviour is made impossible for all organisations. In contrast, some authors have placed their focus on the meso level. They see organisations as the essential moral actors and, therefore, study the ethical climates and organisational values on a corporate level (Victor and Cullen, 1988). Alternatively, many writers in the field of business ethics have all but abandoned the political level, acknowledge the organisational level but have stressed the micro level and relevance of individual ethics as an indispensable part of achieving morally responsible behaviour (Feldmann *et al.* 1986; Strudler, 1997; McDonald and Pak, 1996).

In the development of our framework for implementing ethics programmes, it is important to note that the distinct levels of business ethics are all inter-related. For example, sometimes managers in organisations claim that it is impossible for them to choose the best option from a moral point of view because the market system does not enable it and, in the same way that the political level has implications for the strategy of organisation, the organisational level frequently has implications for the actions of individuals inside the company. If an ethics programme intends to stimulate morally responsible behaviour inside an organisation, this behaviour is only possible when the organisational framework makes such behaviour possible. Hence, an ethics programme should contain the preconditions for morally responsible behaviour on both the individual level and the organisational level.

It might also be suggested that programmes should also comprise the preconditions determined at the political level. However, the preconditions on the political level are frequently out of the scope of an individual organisation and, therefore, cannot be fully accommodated in a comprehensive ethics programme. Individual organisations can influence these conditions only through the strategy of ethical displacement[3] (de George, 1993) or through the strategy of ethical co-operation[4] (Nijhof and Srnka, 1998 forthcoming). For an ethics programme to be effective, the conditions on the organisational

and individual level can be influenced, and the conditions on the political level should be viewed as purely contextual factors. The interdependence between the different levels of business ethics and the focus of an ethics programme are visualised in Figure 1.

Let us now expand these conditions further. Philosophers have reflected for centuries on the meaning of ethics and the conditions that have to be met in order to behave ethically. Conditions like freedom to choose, ethical intentions and knowledge about relevant factors are mentioned often. Based on these abstract philosophies, certain models have been developed for studying ethical behaviour (Jones, 1991).

The first model that attempted to highlight causality in the ethical decision-making process was proposed by Bartels (1967) in relation to marketing, although Ferrell and Gresham (1985) have since developed a more interactionist model. The Ferrell and Gresham multi-stage contingency model has three principal antecedents of ethical decision making:

1. individual (employee) factors – knowledge, values, beliefs, attitudes, and intentions;
2. significant others in the organisational setting – differential association and role set configuration; and
3. opportunity for action – professional codes, corporate policy and rewards/penalties.

Hunt and Vitell (1986) have advanced the Cavanagh *et al.* (1981) decision model from a prescriptive to a more detailed descriptive form. Hunt and Vitell (1986) identified that intentions, consequences, deontological norms, alternatives and situational constraints can predict or explain certain behaviour. Trevino (1986) developed a model where cognition of individuals (stage of cognitive moral development), individual moderators (like ego strength, field dependence and locus of control) and situational moderators (like characteristics of the work, organisational culture and immediate job context) determine ethical or unethical behaviour. Trevino and Youngblood (1990) further developed a multi-influence causal model based on social learning conditions – reward, punishment and control – with consequential:

- outcome expectancies;
- cognitive moral development; and
- locus of control.

In an effort to overcome the deficits of earlier models, a comprehensive model was proposed by Bommer *et al.* (1987). This model groups, under six categories, a wide range of factors which the literature lists as possible influences on managers' decisions when they are confronted with ethical dilemmas. These categories include the decision maker's:

- social environment;
- work environment;
- personal environment; and
- individual attributes.

An alternative approach for analysing ethical decision making has been developed by Dubinsky and Loken (1989). The Dubinsky and Loken model proposes that the immediate determinant of engaging in ethical/ unethical behaviour, or action, is one's intention to perform the behaviour. Intention is influenced by:

- the individual's attitude toward the behaviour and/or;
- subjective norm (i.e. perceived social influence/pressure placed on the individual to perform, or not to perform the behaviour).

The attitude is determined by:

- one's behavioural beliefs (expectancies) that ethical/unethical behaviour leads to certain outcomes; and
- the evaluation of these outcomes in terms of "goodness" and "badness".

The subjective norm is a function of normative beliefs about whether:

- salient referents think the individual should engage in the behaviour; and
- the motivation to apply (Dubinsky and Loken, 1989, p. 85).

Certain components of the model are similar to those in prior models of ethical decision making, for example; intentions (Hunt and Vitell, 1986), and subjective norms (Ferrell and Gresham, 1985).

Ferrell *et al.* (1989) presented a five-stage model with a strong emphasis on the decision-making process as opposed to internal/external influence factors. The model contained:

1. awareness of ethical issues;
2. cognitions;
3. evaluations;
4. determination; and
5. actions.

Stead *et al.* (1990) proposed a model for understanding ethical behaviour in business organisations that incorporated:

- individual factors – personality and socialisation;
- ethical philosophy;
- ethical decision ideology;
- external forces, e.g. economic conditions, competition, etc.;
- past reinforcement of ethical decisions;
- ethical decision history; and
- organizational factors.

Fritzsche (1991) also presented an interactionist model which describes the process decision makers follow when faced with problems containing ethical dimensions. The model, based upon empirical research, portrays the decision maker with a set of personal values – instrumental and terminal, which are mediated by elements of:

- the organisation's culture;
- organisational goals – policy and reward structures;
- organisational climate – differential association (the degree to which members of an organisation associate with each other), role set configuration (organisational distance and relative authority);

- stakeholders; and
- decision dimensions – economic, political, technological, and social ethical issues.

Although these models can provide valuable insights into the considerations of ethical decision-makers in organisations, they are often viewed in isolation, largely for purely theoretical input, and are not used to clarify how an ethics programme can stimulate morally responsible behaviour. Therefore, a new alignment of conditions for morally responsible behaviour is introduced, based on these models of ethical decision making and other relevant literature and for practical application to the design and implementation of organisational ethics programmes. Central to our notion of conditions for morally responsible behaviour is that, first, decision makers have to be able to act in a morally responsible way and, secondly, decision makers must have the intention to act in a morally responsible way. The conditions at the organisational level all have to do with the ability to act in a morally responsible level (i.e. organisational norms, procedures for decision making and distribution of resources), while the conditions at the individual level have to do with the employee's ability (i.e. necessary skills) as well as the employee's intentions (i.e. will-power) for acting in a morally responsible way.

Conditions determined at the organisational level

At the organisational level it is necessary to identify the norms and values that are central to the organisation and to determine whether these values are promoting or discouraging ethical behaviour. For example, an organisation may value and stress the importance of short-term financial returns. This value must, in turn, be understood in terms of the impact it may have on the ethical climate of an organisation (Victor and Cullen, 1988; Chen *et al.*, 1997). In practice, many organisations try to influence norms and values by formulating and communicating ethical codes. In addition to the formal norms and values, informal norms should also be considered, especially the support in the organisation for responsible behaviour through the informal "reward system" (Jackal, 1988; Scott-Morgan, 1994). Decision makers in an organisation have many relationships with others – superiors, colleagues and customers. If these persons do not approve and support responsible behaviour, despite the official norms in the organisation, it becomes increasingly difficult for these decision makers to act upon their own belief of what is viewed as moral behaviour. Hence, the first condition for acting in a morally responsible way concerns both the formal as well as the informal organisational norms.

The organisational context also influences the likelihood of making ethical decisions through the procedures for decision making. This second factor refers to the official distribution of tasks, authorities and responsibilities and also to the official agreements on the process of decision making. French (1984) highlights this factor in his study on individual versus organisational responsibility. Every corporation has an internal decision structure. The corporation's internal decision structure (CID structure) has two elements of interest. First, an organisational or responsibility flowchart which delineates stations and levels within the corporate power structure. Second, corporate-decision recognition rule(s), usually embedded in corporation policy (French, 1984, p. 41). The official CID structure has a large influence on the degree to which employees can bear moral responsibilities. If, for example, employees have no authority to participate in the decision-making process, they can also not live up to certain responsibilities. Just as the organisational norms have a formal and informal side, the same is true for the procedures for decision making. With the informal

side of procedures for decision making we are referring to the degree to which it is legitimate to talk about morality during the decision making process. As such, an ethics programme, therefore, needs to be designed around a formal decision-making process, and also needs to accommodate and legitimise the discussion of potential ethical issues during the decision-making process.

The last organisational factor concerns the availability of resources. The central question relates to the organisational provision of resources to facilitate decision makers acting in a responsible way. The ability to act responsibly can be significantly mitigated in the absence of resources. Essentially, these resources can be divided into four categories: information, money, existing equipment, and time. Decision makers need to have access to relevant information, be aware of the different alternatives available, and to have knowledge of possible consequences and the risks attached to them. Sufficient financial resources to choose the most responsible alternative, as well as adequate existing equipment and the availability of enough time, are also needed in order to act in a morally responsible way.

Conditions determined at the individual level

In addition to the conditions determined at the organisational level, two conditions can be distinguished at the individual level.

The fourth condition for acting in a morally responsible way relates to the necessary personal skills of an employee in order to make a deliberate decision (Bovens, 1990). As situations in organisations become more and more complex, it is naturally difficult to consider all the relevant aspects of decision making. In some organisations there are training programmes for their employees to ensure that the decision makers have the necessary skills to take the right operational decisions but not necessarily the right moral choices. Through both training and the selection process of new functionaries, the organisation can influence the degree to which the decision makers have the necessary skills to act in a responsible way.

When the four conditions previously mentioned are met, decision makers in the organisation have the ability to act in a morally responsible way, however, there is no guarantee that individuals in an organisation will act in a morally responsible way. Therefore, they also need to possess an intention to act morally. Personal moral values are important antecedents for personal intentions, but research shows that other factors such as ego strength and field dependence are also important (Trevino, 1986). With the aim of building a framework of conditions for the primary purpose of designing and implementing an ethics programme, we will not delve extensively into the psychological backgrounds of personal intentions. However, it is important to note that personal intentions are not static phenomena, for example, the communication of organisational norms may naturally influence the personal intentions of individuals in an organisation. This means that the designers of an ethics programme should ensure that any organisational actions taken also lead to personal intentions to act in a morally responsible way.

An integrated model for implementing an ethics programme

Figure 1 indicated that in order to stimulate morally responsible behaviour it is necessary for certain preconditions to be met, and that these preconditions can be influenced by

organisational actions. Figure 2 has further developed these conditions for acting in a morally responsible way. In the next section we will examine the case of a newly-designed ethics programme to investigate what organisational actions were taken, and to evaluate whether these organisational actions will influence all five conditions contained in the theoretical framework.

Application of the framework: a case study

In order to evaluate the proposed framework in the context of an actual ethics programme, the following case study on the implementation of an ethics programme in a multi-national organisation is presented. Before presenting this case it is important to note that the ethics programme chosen was not designed on the basis of the integrated framework developed in this paper. The framework has been used to give an *ex post* evaluation of the comprehensiveness of the ethics programme.

The case organisation where the ethics programme was implemented is a multi-national company based in Asia and employing 6,300 people. It is a leading utility company operating in all forms of power generation. Involvement by one of the authors came by invitation to assist in a two-stage project for developing an ethical culture throughout the organisation. Unlike organisations which have been prompted into more active ethics programmes as a result of extensive publicity being given to a perceived legal or ethical violation [for example, Sundstrand Corporation (Ross and Benson, 1995) or Nynex Corporation (Driscoll *et al.*, 1996)], this organisation appeared to be motivated by a genuine concern for the ethical environment in which they worked and they wanted their employees to be cognisant of the organisation's desire to be recognised as an organisation with integrity. The ethics programme introduced in this organisation was developed over a period of time and consisted of a number of elements. As a point of note, in this ethics programme all employees were cognisant of their role in developing an ethical climate. This responsibility was not abdicated to an ethics officer/ombudsperson, or those at the end of an ethics hotline. All employees needed to be well-versed in the ethical policy of their organisation and, more importantly, have the ability to handle an ethical dilemma should it arise. Currently, two parts of the ethics programme have been implemented. First the development and communication of the Code of Conduct through the workforce, and second the implementation of an ethical awareness strategy throughout the organisation.

The case organisation is now considering future activities for generating an ethical climate and, as such, is investigating a number of initiatives such as conducting an annual ethics audit, appointing an ethics officer and ethics ombudsman, establishing ethics committees and opening channels of communication. Subsequently, the organisational activities that have already been undertaken are presented with the proposals which are yet to be implemented.

Activities undertaken by the organisation

The organisational activities undertaken in the ethics programme of the case organisation are presented in relation to the theoretical framework of preconditions for ethical behaviour. Naturally, many activities have an effect on more than one condition and will be discussed accordingly.

Organisational norms

The case organisation had become increasingly aware of the need to document its ethics policies and procedures and, with the arrival of personnel from Shell who had prior expertise in operating within a Code of Conduct, attention was given to the first step in the introduction of an ethics programme with the development of a Code of Conduct. This 20-page document, written in both English and Chinese, was prepared in booklet form and distributed to all staff and covered established policies on business ethics.

Within the case organisation the CEO clearly established an expectation of integrity for the company and the ethical norms by which he wished the organisation to be managed. His commitment to the instillation of ethical standards was a considerable asset in first identifying the concern for developing an ethical climate, securing appropriate resourcing, approving the appointment of ethics specialists, influencing the senior executive team on the importance of the programme, and making himself available for consultation and the preparation of relevant material (a video of the CEO was developed to be used in all the train-the-trainer sessions). He also provided the necessary impetus to ensure the permeation of the programme to all levels in the organisation. Without this support it is unlikely the programme would have been as successful.

In addition to the strategic input and vision of the CEO, throughout the programme senior managers were regularly communicated with and their support actively solicited. The executive team received presentations of the material developed in conjunction with the programme. Similarly, heads of departments in groups of only 12 personnel each session, were brought in on the objectives of the training and material to be used. Input was sought on the material and the processes to be used prior to final publication. Nominations for trainers were also requested. It was heartening that, rather than delegating the process to others, some senior managers were prepared to undertake the train-the-trainer session themselves and then to conduct the ethics training sessions themselves. As a word of caution, whenever presenting to these senior managers, it became apparent that one needed to keep the group focused, as the temptation to expand the discussion into the general concerns and immediate operational or personal difficulties experienced within the company was most real and potentially distracting.

During the programme some scepticism could have been expected about the sentiments and obvious commitment of the CEO. However, it became apparent that one statement in particular made by the CEO, and recorded and communicated to all staff, had the greatest impact. The CEO was adamant that he was prepared to lose a contract if it meant that the ethical code of the company would otherwise be violated. The open admission that the organisation would be willing to forego profitability to maintain the integrity of the company appeared to hit home to a large number of employees and, as one employee commented, "the CEO appears to be willing to put his money where his mouth is". In summary, the development of a Code of Conduct, the active role of the CEO, presentations to the executive team and communication to all staff potentially have a significant impact on both the formal and informal organisational norms.

Decision-making procedures

The primary aim of the programme to date has been ethics awareness, clarifying norms and expected behaviour rather than practical assistance with decision making. In the future, the case organisation is considering more specific dilemma and decision training and initial assistance with dilemma resolution, with the possible introduction of activities that have a clear impact on enabling employees to seek assistance and to ask for a second opinion. In particular, the organisation is thinking about creating an ethics ombudsman, ethics committees and/or opening channels of communication such as “ethics hotlines”.

The term “ethics ombudsperson” is to be favoured as it has a less emotive and regimental ring than “ethics officer”. However, their roles are essentially similar – to be the instrumental, hands-on focus for establishing an ethical culture through a variety of activities and programmes. While definitions vary from company to company, it appears that some characteristics are common to most ombudsperson positions. It is primarily a combination of investigative, counselling and advisory roles. As a consequence of being approached, an ombudsperson may be required to investigate ethical circumstances and advise on an appropriate resolution or action. Independence and confidentiality are considered of key importance. An ombudsperson must not be seen to be taking sides.

Favoured by organisations such as Motorola, ethics committees provide an additional strategy to focus attention on past and current decisions. Ethics committee membership should be rotated among all employees, thereby exposing them to ethical problems submitted by either employees or managers. A decision by the committee would provide firm and clear guidelines for action. Another organisation that has utilised ethics committees is Sundstrand Corporation, a US *Fortune* 500 Company. Its employee-managed ethics committees were established at each facility to stimulate member ownership of ethical conduct and to distribute accountability throughout the organisation. A review of ethics committees in operations suggests that their function is more oriented to policy making than handling infractions and/or employee complaints.

Companies can open up communication channels, thereby providing the means by which ethical violations can be reported and, more importantly, providing the means by which ethical dilemmas can be reviewed, discussed and resolved. Should employees experience an ethical dilemma, it is particularly comforting for them to know that they have an avenue by which they can access sound advice that is structured by organisational policy. By definition, ethical dilemmas are not easy to resolve, especially in isolation, and the more support an employee receives, the greater the likelihood that a positive resolution is reached. The most common means of opening up communication channels is by the use of ethics hotlines. Pacific Bell in the USA has an ethics hotline that receives 1,200 calls per year. Texas Instruments has an ethics E-mail system that operates internationally throughout their company, enabling a Hong Kong employee, for example, to contact ethics officers in the USA. On average, the hotline at Sundstrand Corporation receives 1,500 calls per year. If one were to take a broader perspective, opening up communication channels would not just entail the establishment of ethics hotlines whereby enquiries are received by one source. An over reliance on an ethics hotline could result in a perception of “they are the experts, ask them” and, as a consequence, this could result in a general abdication of responsibility by others to provide assistance and advice. For a programme to be truly effective, managers at all levels, in addition to their responsibilities for personnel and the human resources department, for example, should also be well versed in ethical policy, resolution and counselling.

Distribution of resources

The ethics programme of the case organisation does include the distribution of resources but only in a marginal way. The availability of information is stimulated through the opening of new communication channels such as an ethics hotline and an ethics officer, although these channels are not intended to gather vital information for ethical decision making but to support employees during their deliberations. For some ethical decisions, additional financial resources are needed. In this respect, the statement of the CEO – that he is willing to lose a contract if it is ethical to do so – is important. The distribution of time and existing equipment is not influenced by any activity of this ethics programme and is the domain of larger organisational concerns and the usual negotiation process that accompanies the allocation of resources.

Employee skills

The establishment of a Code of Conduct is seen by the case organisation only as an initial step in the development of an ethics programme because, without modifying the internal values to emphasise ethical conduct, there is no guarantee that future transgressions will not occur (Ross and Benson, 1995). The board approved the Code of Conduct in May 1994 and it was distributed to all employees in October 1994. However, subsequent incidents noted in the audit reviews seem to indicate that the understanding of the Code was far from satisfactory. It was felt by the CEO and board audit committees that the organisation needed to do more than just point employees in the direction of a booklet, and there was a desire to go further than just printing up a Code of Conduct and leaving it sitting on a shelf. They wanted every employee in the organisation to be aware of what was contained in the Code of Conduct and to assist employees with any problems they may experience. The organisation was also very aware that, for many employees in their daily lives, there are many work-related circumstances that pose potential problems and these situations are further complicated by such additional factors as cost considerations, time constraints, and competitor pressures. They acknowledged employees potentially face situations which present dilemmas which often require moral choices. The organisation was motivated to provide assistance to employees to ensure that they made appropriate decisions. In endeavouring to resolve this problem, the organisation felt “The Code needs to come off the pages and into people’s lives”. With over 6,000 employees, this was a somewhat daunting training task.

To facilitate the training process a “cascade” approach was undertaken. To implement the training, approximately 125 instructors were trained in eight sessions during May and June 1995, in a variety of locations around the company. Wherever possible, attempts were made to be on familiar ground. These instructors then went back to their respective areas and, over a period of approximately four months, conducted training with groups of up to 20 employees. Each session lasted one to one and a half hours. Courses were conducted in both English and Chinese. Copies of the transparencies were distributed to all participating employees. Trainers were responsible for making the necessary copies (English or Chinese). Completion of attendance sheets was required and departments requested periodic reports on the status of training (i.e. number of sessions and number of people who had attended). Trainers were requested to record any questions raised during training sessions which they were unable to answer and to send them to Internal Audit for resolution. The date by which all ethics training was to be completed was clearly communicated and adhered to.

During the introductory session of each of the ethics workshops all employees viewed a video where the managing director was interviewed on his ethical philosophies in relation to the company. The benefit of this video was to ensure that all employees were aware that the training was being promoted and fully endorsed by senior management. An additional benefit is that, following completion of the training session, the video can be used within the orientation programme for all new employees. Statements made by the managing director such as "I would like to remind every director and employee that no-one in the organisation has the authority to make exceptions to the Code of Conduct" serve to highlight the importance and lack of flexibility attached to the ethical values of the organisation. Naturally, should the training be undertaken on a more one-to-one approach rather than in a workshop, the use of training materials on a CD-ROM should be considered.

The ethics training sessions helped employees to deal with ethical dilemmas but, at the same time, they made employees more aware of the formal organisational norms. Hence the training sessions have both an impact on the skills of dealing with ethical dilemmas and the acquaintance with organisational norms. The impact on organisational norms was affirmed in the evaluation of the ethics programme. A predominant number of trainers (74 per cent) expressed agreement that, following the workshop, participants had become familiar with the importance attached to business ethics in the organisation. The video of the managing director was perceived by many as providing valuable support to the workshop and highlighting the importance of business ethics in the organisation. Predictably, some cynical remarks were detected during the training sessions and they appeared to centre on the company being willing and able to "walk the talk". This last remark illustrates that informal organisational norms have still to be proven to be in congruence with the formal organisational norms expressed in the Code of Conduct.

Personal intentions

When developing ethics programmes, strong statements about enforcement appears to be a strategy that evokes the most nervousness. Given the variability of ethical issues, there often appears to be a reluctance to actually state in black and white what will be the consequences of ethical violations. In the organisation in question during the corporate video and in written material, frequent reference was made to the understanding that adherence to ethical policy and specific codes was "... not optional, they are considered essential and adoption by employees is considered imperative if we want to work in an organisation with integrity, and if we want to maintain this integrity in the years ahead". Rather than resorting to immediate dismissal, managers should be made cognisant of the variety of options available to them and some guidance given as to what penalties are appropriate in which circumstances. Penalties for transgression include termination, suspension, probation, demotion, written reprimand, oral reprimand, and adverse personal appraisal. Alternatively, consideration could also be given to employees who have, upon identification of an ethical dilemma, handled the situation correctly. Possible incentives range from individual verbal or written recognition, wider commendation/appreciation, receipt of a perk, monetary reward, or reference to the incident in the performance appraisal. The reward or punishment strategies are also mentioned in the final section of the Code of Conduct. This section reminded employees of their personal responsibilities in regard to the Code, avenues for information, and the disciplinary outcomes that result from violations.

Although, as yet not undertaken by this organisation, it has been suggested that an annual ethics audit is as important as an annual fiscal audit, as it helps bring the organisation's core values and ethics into focus, conveys the importance of sharing these values and the extent to which the organisation's daily performance comes within its values and articulated codes (Gray, 1996; Metzger *et al.*, 1993). In reality, the audit process appears to be less of a control mechanism but rather the real benefits are obtained through renewed and heightened ethical awareness. To gain the maximum benefit from the audit process, it is imperative that open discussion and dialogue are created, possibly promoted by a skilled facilitator. Those organisations that have had little success with an ethics audit may wish to reflect on the inadequacy of assigning one individual to the project and merely requesting a report. It could also be recommended that, during the audit process, actual violations of the Code are reviewed, with consideration being given to the antecedents in the form of organisational structures and procedures that may be either stimulating or which permit the practices to be perpetuated. For example, are there organisational reward structures for high-achieving risk-takers willing to blur ethical boundaries; is the disciplinary process sufficiently effective in handling ethical violations? Consideration should also be given to the perceived, both short- and long-term, effects of the violation both internally to the organisation and on potential stakeholders. A recognition of the potential damage that could have ensued if the practice continued can have a sobering effect on organisational members.

Evaluation with the integrated framework

Through the use of an actual case example, the above discussion has attempted to provide practical suggestions of organisational activities which could be used in developing an ethical climate. Here, we will give an evaluation of the degree to which the organisational activities of the ethics programme really give all employees the ability to handle an ethical dilemma should it arise.

The awareness of the formal and informal norms of an organisation is stimulated through the development of a Code of Conduct and the communication of the Code to all employees. For the congruence between formal and informal organisational norms it proved to be essential that a commitment exists from senior management, particularly the CEO, that an ethical organisation is an essential part of their organisational vision. If they are unable to become passionate about an ethical organisation, employees will perceive the programme for what it is – merely lip service. Also, the strong belief in the case organisation that “if it is not ethical, it is not profitable” and the communicated willingness to lose a contract or forego profit to maintain ethical principles fortifies this congruence between formal and informal organisational norms.

The procedures for decision making are not yet influenced by any activity of the ethics programme. For the future, the establishment of ethical hotlines, an ethics ombudsman and ethics committees are considered. This can stimulate the communication about ethical issues in the conduct of business. Also the training sessions will encourage the legitimacy to discuss ethical topics during decision making. However, the procedures for decision making refer also to division of tasks, responsibilities and authorities. Within the framework of the current ethics programme there were no efforts to analyse whether the present division of tasks, responsibilities and authority made ethical decision making possible for every employee. In this regard, an evaluation of the design of jobs could be a valuable addition.

The distribution of resources remained largely untouched by the ethics programme. Only the availability of information was evident and subject to further improvement through the establishment of new ethics communication channels. In addition, it might also be necessary to expand the present information system to include relevant data for ethical decision making. An analysis of the distribution of other resources, such as money, time and existing equipment might also be necessary to guarantee the possibility for ethical behaviour in the organisation.

The necessary skills for ethical behaviour are thoroughly stimulated during the ethics training sessions for all employees. These training sessions also have an impact on the awareness of formal organisational norms. We note that attention to personal intentions will be integrated in the ethics programme through future activities. The case organisation intends to develop a system to award penalties for unethical behaviour and to reward ethical behaviour. Also the annual ethics audit is important in this respect. The role of the supervisor in promoting an ethical climate can be further strengthened by the noting of ethical violations of subordinates on the performance assessment of the immediate supervisor, thus reinforcing the responsibility of the immediate supervisor for establishing and maintaining the ethical standards of employees. Additional activities are a careful selection of new employees and the incorporation of ethical dimensions in employee orientation programmes. Both processes can serve to stimulate the congruence between personal intentions and organisational norms.

In summary, the case organisation has included many activities in the ethics programme that focus on the awareness of organisational norms, personal intentions and the necessary skills for ethical behaviour. However, it might not be possible for every employee to act in a morally responsible way because tasks and responsibilities are assigned incorrectly or because necessary resources are not available to them. To accommodate this, additional activities will need to be included in the ethics programme with communication and monitoring systems enabling employees to alert higher managers whenever an ethical problem arises.

Interaction between different organisational activities

Having first examined the suggested theoretical preconditions for an ethical programme and then investigated these preconditions against an actual ethics initiative, we now need to bring this discussion together. In Table I a general overview is given of possible organisational activities in an ethics programme and their effect on the conditions for ethical behaviour. Naturally, we do not claim that all of these activities are necessary in every ethics programme. The intention is to adequately wrap specific organisational actions around the theoretical conditions for ethical behaviour.

The possible organisational activities from Table I can subsequently be included in the theoretical framework for developing an ethics programme. This is visualised in Figure 3.

Conclusion

In one of the limited studies examining ethical training in the corporate, as opposed to the academic, environment, Delaney and Sockell (1992) studied the potential effectiveness of firms' ethics training programmes. The results suggested that such training can have a

positive effect, but relatively few firms provided such programmes. They concluded, “the few empirical studies of the subject inspire optimism about the value of ethics programs” (Delaney and Sockell, 1992, p. 720).

The previous overview of necessary organisational activities to ensure effective ethical training in organisations might scare companies away from developing an ethics programme because of what is perceived as considerable effort on the part of the organisation. Regrettably, this view is partly correct because it is of little use to start an ethics programme when essential features are absent. For example, if top management is not committed to stimulating ethical behaviour then the programme is unlikely to have the momentum necessary to see it to fruition. However, the suggestions are not exhaustive and the overview of activities is intended to present possible activities. Naturally, every organisation will select the activities that are appropriate for that specific organisation to fulfill the preconditions for ethical behaviour. Additionally, upon investigation, you will note that every organisation is already actively involved, albeit sometimes superficially, in many of the above-mentioned activities.

In our view, it is neither necessary nor recommendable to strive for separate activities in all the ethical aspects of decision making because to stimulate ethical behaviour in an effective way it is necessary to ensure the ethical aspects of decision making are not separate but are an integral part of the way things are done in the organisation, as are financial or juridical dimensions of the organisation. This means, for example, that an ethics programme should make sure that the standard investment evaluation of a company should also include an evaluation of the effects on the environment, employees and other stakeholders, in addition to the financial criteria. In the same way, an ethics programme should not strive for a separate information system for the ethically-relevant information, but this information should become part of the normal information system. Similarly, codes of conduct can, and often do, include discussion on such issues as safety and quality. Admittedly, criticism exists regarding the likelihood of improving ethical behaviour in organisations through the use of codes of conduct (e.g. Cressey and Moore, 1983; Hunt *et al.*, 1984; Akaah and Riordan, 1989; Buchanan, 1987; Hyman *et al.*, 1990; Bavaria, 1991). However, given the empirical support of the role of corporate codes and policy for improving ethical perceptions and standards in organisations (e.g. Weaver and Ferrell, 1977; Brenner and Molander, 1977; Hegarty and Sims, 1979; Chonko and Hunt, 1985; Laczniak and Inderrieden, 1987; Ferrell and Skinner, 1988; Weller, 1988; Weeks and Nantel, 1992; Murphy *et al.*, 1992), clearly, some form of normative structure in the form of policy and codes does appear to have an impact on ethical attitudes and possibly behaviour.

In developing an ethics programme, ethical codes of conduct are a good start, but a lot more can be done to cultivate ethical practices within organisations. To summarise, ethics audits, for example, can identify factors or pressures which encourage unethical behaviour, or which may even act as incentives to unethical behaviour within an organisation. Alternatively, ethics training and awareness programmes can make employees more sensitive to what constitutes an ethical dilemma, how to approach it, how to use ethical decision frameworks to bring about a resolution, and can train supervisors to respond to subordinates' concerns. Companies can also open up communication channels by establishing ethics hotlines that facilitate the expression of ethical concerns. Further opportunities for employees to express ethical concern can be undertaken through an ethics

ombudsperson, which gives employees a third party to go to in order to resolve an ethical dilemma.

Corporations can also make changes in other areas to ensure that shared values are of an ethical nature. Ethical views and values need to be stated repeatedly and publicly to bring morality out of the closet. Compensation systems may also need to be reviewed. For example, encouraging ethical behaviour was behind the change Allied Chemicals made to its compensation systems. A percentage of management bonuses is now derived from environmental compliance, safety, anti-trust, civil rights, and other non-fiscal goals. Often, work systems need to be investigated to establish whether there is greater concern with results at the expense of the means by which the results are achieved, which can unwittingly encourage unethical practices. Numerous additional suggestions can be made. These include the use of ethics mentors, reviewing selection procedures to ensure the recruitment of ethical individuals, providing support for ethical decision making, running periodic dilemma workshops, and enlisting the support of top management for activities designed to raise ethical standards.

The central intention for developing an ethics programme that aims at stimulating ethical behaviour in the organisation is that the organisational activities within an ethics programme should enable all employees to act in a morally responsible way. In order to do this, five conditions have been discussed: awareness of formal organisational goals and corresponding informal norms; suitable procedures for decision making; correct distribution of resources; presence of necessary skills; and personal intentions for ethical behaviour. Based upon prior experience and future suggestions for each condition, a variety of organisational activities has been presented. Obviously, this discussion has been largely descriptive and we acknowledge and encourage every organisation to develop its own ethics programme according to its specific situation and to evaluate these programmes. In relation to the programme described above, its true effectiveness is, at this stage, difficult to assess, particularly given that some elements of the programme had not been installed. However, while it is too early to confidently evaluate the outcomes of the programme, we do contend that certain conditions and activities will assist in the development of effective ethics programmes which, in turn, will have a positive outcome in promoting ethical climates and behaviour in organisations. Both anecdotal referencing and empirical testing of the completeness of the model is welcomed.

Notes

1. For an excellent corporate case study of the lead up to and management of an organization in an ethical crisis, and the external communication strategies used in an effort to restore its public image, see Ross and Benson (1995).
2. In the German discussion there are also different words for the different levels of business ethics. Business ethics on the macro level is referred to as "*Wirtschaftsethik*" and business ethics at the micro level is referred to as "*Unternehmensethik*". Business ethics on the meso level is only recently under debate and the term "*Unternehmensethik*" is also used for this part of business ethics (see Steinmann and Löhr, 1996).
3. Ethical displacement means that organisations address a certain issue on a higher level (the industry or the political level) in order to develop new rules for all

organisations, for example, the organisation Levi Strauss that is trying to convince politicians to do something about child labour in developing countries.

4. Ethical co-operation means that a group of organisations start working together in order to actualise certain morally responsible behaviour. With this strategy, enforcing rules for all companies is not necessary because they apply only to the group of associated companies. The Responsible Care programme that started through an initiative of certain Canadian chemical organisations is a good example of this strategy.

Table I

Relationship between organisational activities and conditions for ethical behaviour

Organisational action	Effects on conditions for ethical behaviour
Developing a code of conduct	Introducing formal organisational norms Influences personal intentions of employees
Training employees	Appreciation of formal organisational norms Develops skills for dealing with complex ethical questions Influences personal intentions
Anecdotes and story telling	Develops informal organisational norms Makes morality a legitimate topic of communications
Reward systems to back up ethically responsible decisions	Develops informal organisational norms Influence on the consistency between personal intentions and actual behaviour
Monitoring systems and performing ethics audits	Availability of information Influence on personal intentions and preventing irresponsible behaviour
Communication channels	Determines formal procedures of decision making Availability of information through building in dialogue opportunities
Job design	Determines formal procedures of decision making, through distribution of responsibilities Allocation of financial resources Determines whether there is enough time to perform all tasks conscientiously
Appointing an ethics officer or implementing an ethics hotline	Influences skills for ethical decision making because of the opportunity to discuss it with a second person
Information system	Influences the availability of information
Employee selection	Influences personal intentions through careful selection of employees who fit with the organisational norms and climate
Process layout	Influences the necessary skills because complex processes require high skills Influences the availability of information because complex processes imply the need for much information
Quality management and organisational strategy	Influences formal and informal organisational norms Determines the allocation of financial resources Determines the adequacy of equipment

Table I Relationship between organisational activities and conditions for ethical behaviour

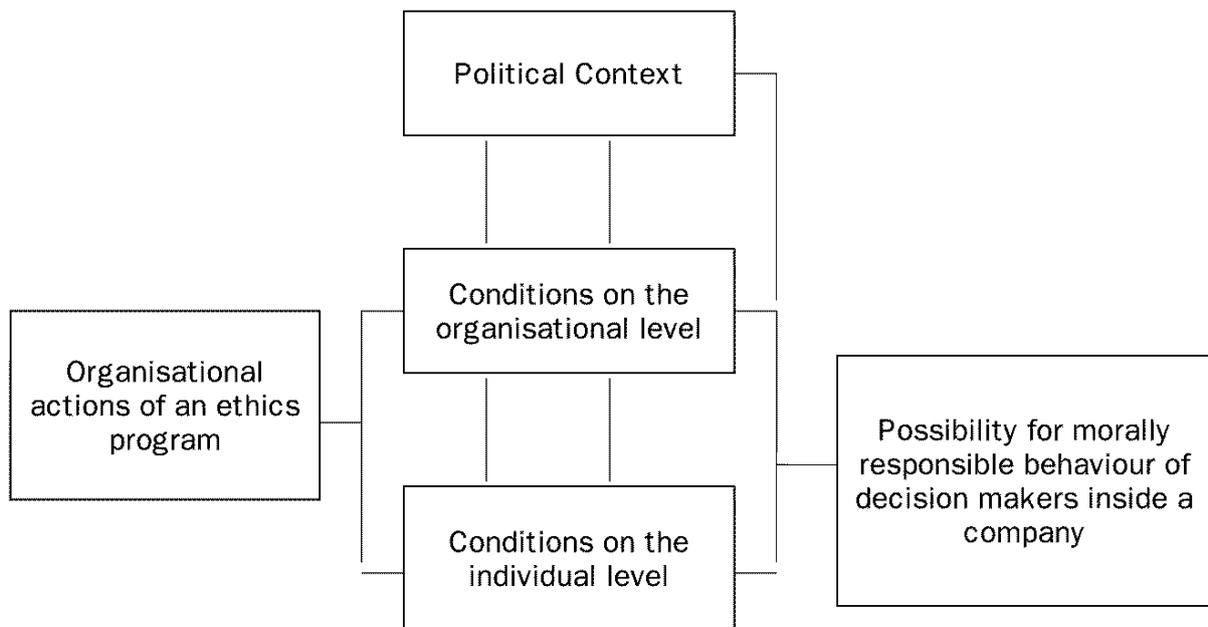


Figure 1A conceptual overview

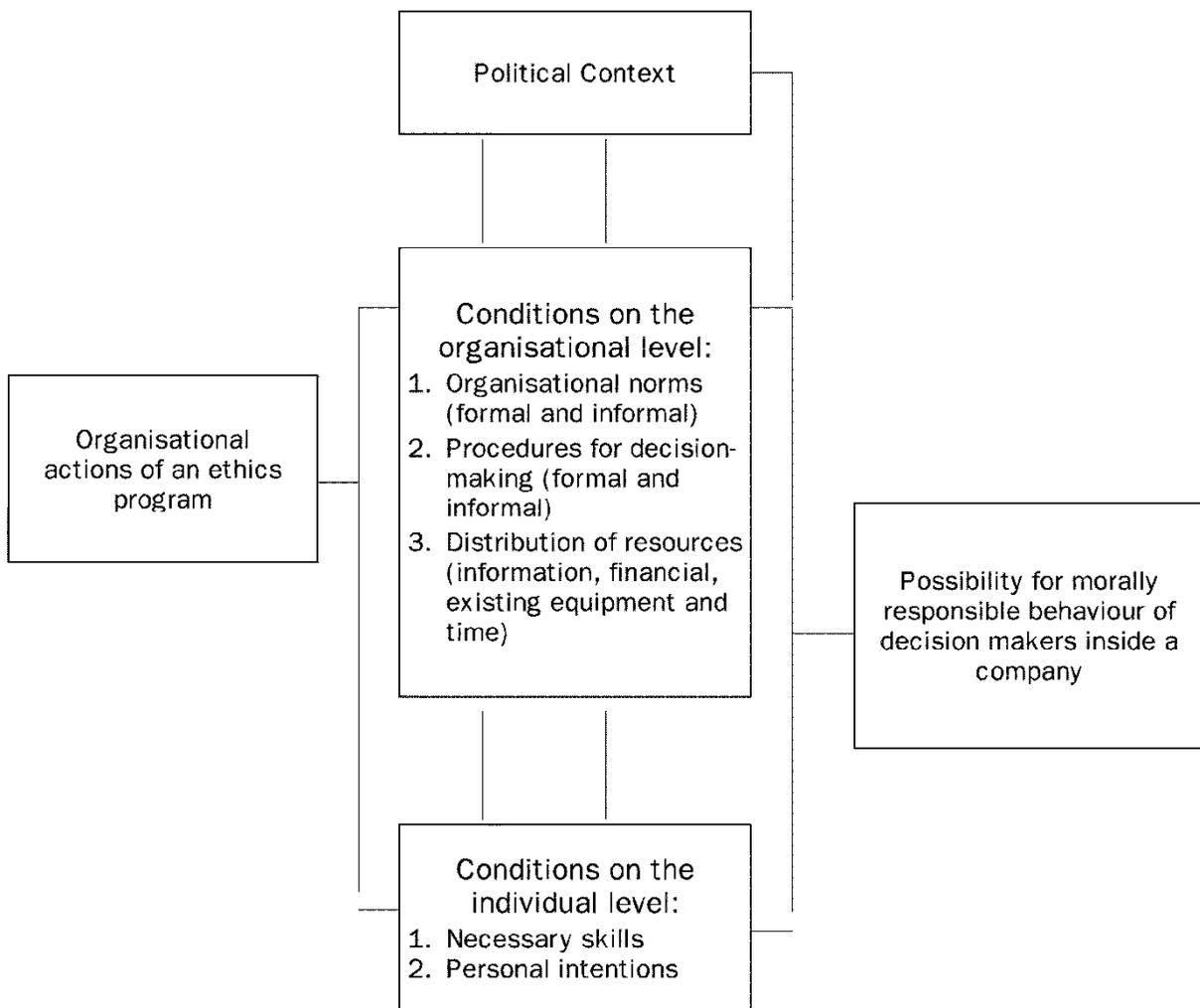


Figure 2 Conditions for acting in a morally responsible way

Table I

Relationship between organisational activities and conditions for ethical behaviour

Organisational action	Effects on conditions for ethical behaviour
Developing a code of conduct	Introducing formal organisational norms Influences personal intentions of employees
Training employees	Appreciation of formal organisational norms Develops skills for dealing with complex ethical questions Influences personal intentions
Anecdotes and story telling	Develops informal organisational norms Makes morality a legitimate topic of communications
Reward systems to back up ethically responsible decisions	Develops informal organisational norms Influence on the consistency between personal intentions and actual behaviour
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Table I

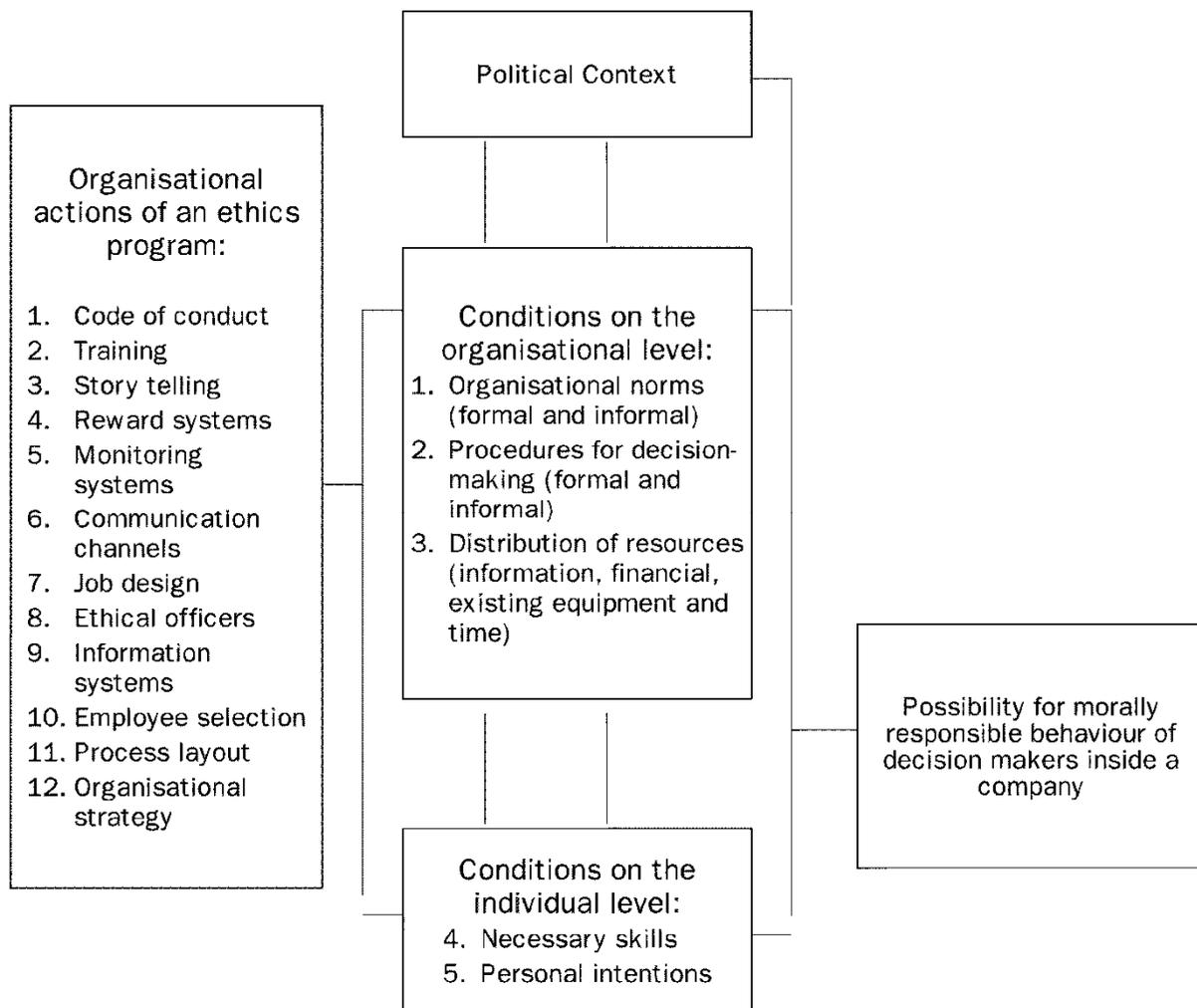


Figure 3 An integrated framework for developing an ethics programme

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