

## Ethics Programs and Ethical Cultures: A Next Step in Unraveling their Multi-Faceted Relationship

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ABSTRACT AND KEYWORDS	
Abstract	<p>The objective of an ethics program is to improve the ethical culture of an organization. To date, empirical research treats at least one of these concepts as a one-dimensional construct. This paper demonstrates that by conceptualizing both constructs as multi-dimensional, a better understanding of the relationship between the two concepts can be achieved. Employing the corporate ethical virtues model, eight dimensions of ethical culture are distinguished. Nine components of an ethics program are specified. To assess the relationship between ethical programs and ethical cultures, a survey of 4,056 members of the U.S. working population was conducted. The results show that the relationship between the individual components of an ethics program and ethical culture differs. Implications for research and practice are discussed.</p>
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**ETHICS PROGRAMS AND ETHICAL CULTURES:  
A NEXT STEP IN UNRAVELING THEIR MULTI-FACETED RELATIONSHIP**

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**Ethics Programs and Ethical Cultures:  
A Next Step in Unraveling their Multi-faceted Relationship<sup>1</sup>**

**Abstract**

The objective of an ethics program is to improve the ethical culture of an organization. To date, empirical research treats at least one of these concepts as a one-dimensional construct. This paper demonstrates that by conceptualizing both constructs as multi-dimensional, a better understanding of the relationship between the two concepts can be achieved. Employing the corporate ethical virtues model, eight dimensions of ethical culture are distinguished. Nine components of an ethics program are specified. To assess the relationship between ethical programs and ethical cultures, a survey of 4,056 members of the U.S. working population was conducted. The results show that the relationship between the individual components of an ethics program and ethical culture differs. Implications for research and practice are discussed.

**Key Words:** Ethics program, Ethical culture, Virtue theory

Scandals like Enron, WorldCom and Arthur Anderson have brought to the fore the crucial role of the ethical culture in business organizations (Lease, 2006; Sims & Brinkman, 2003; Treviño & Brown, 2004). Accordingly, subsequent changes to the Federal Sentencing Guidelines stress the importance of the ethical culture of organizations ([www.ussc.gov](http://www.ussc.gov)). To improve the ethical culture of an organization, management can introduce an ethics program (Greenberg, 2002) consisting of, for example, a code of ethics, ethics training and an ethics hotline.

Research shows a positive relationship between ethics programs and the ethical culture of organizations (Treviño & Weaver, 2003). In some of these empirical studies, ethics programs and/or ethical cultures are treated as one-dimensional constructs (Delaney & Sockell, 1992; Greenberg, 2002; Weaver, Treviño, & Cochran, 1999a; Weaver, Treviño, & Cochran, 1999b; Valentine & Fleischman, 2004). In some other empirical studies, the construct of ethical culture is limited to one dimension, such as top management's commitment to ethics (Weaver, Treviño, & Cochran, 1999a) or employees' commitment to ethics (Adam & Rachman-Moore, 2004), or a few dimensions, such as employees' awareness of ethical issues at work, whether they believe it is acceptable to deliver bad news to superiors, and their willingness to seek ethical advice within the organization (Weaver & Treviño, 1999). In other empirical studies into the relationship between ethics programs and the ethical culture of organizations, the construct of an ethics program is limited to one component, such as ethics training (Valentine & Fleischman, 2004) or a few components, like ethics policy communication and ethics-oriented performance appraisals (Weaver, Treviño, & Cochran, 1999b).

To date, no research has been conducted that treats both ethical culture and ethical program as multi-dimensional constructs. From the perspective of management the question is whether their ethics program should be aligned to the specific

dimensions of the ethical culture of their organization that require improvement or whether a full-scale ethics program independent of the current ethical culture should be adopted. Furthermore, if particular components of an ethics program are adopted, management needs to know what their individual relationship is with individual dimensions of the ethical culture so as to determine their effectiveness and, if required, to introduce additional measures to improve the ethical program and ethical culture of the organization. An interesting research question therefore is whether treating both concepts as multi-dimensional constructs leads to a better understanding of the relationship between ethics programs and ethical cultures than a one-dimensional construct for one or both of them.

In this study, we further unravel the relationship between ethics programs and ethical cultures by first unpacking both constructs. Using the Corporate Ethical Virtues Model as developed and tested by Kaptein (2008), we identify eight dimensions to ethical culture. Nine components to ethics programs are distinguished. Using a panel survey of the U.S. working population, we examine the relationship between each component or dimension of ethics programs and ethical culture. The results show that the individual components of an ethics program have a different relationship with the individual dimensions of ethical culture. Unpacking both constructs helps us to achieve a better understanding of the multi-faceted nature of the constructs and the relationship between them.

The paper is structured as follows. First, both constructs are analyzed on the basis of which three hypotheses are developed. This is followed by a discussion of the methodology and results of the survey. The paper concludes with an overview of the implications for future scientific research and management.

## **UNPACKING ETHICS PROGRAMS AND ETHICAL CULTURE**

In this section, first the construct of ethical culture is unpacked leading to the first hypothesis. Next, the construct of an ethics program is unpacked leading to the second hypothesis. Having analyzed both constructs, a third hypothesis is presented.

### **Dimensions of Ethical Culture**

Ethical culture can be defined as those aspects of the organizational context that impede unethical conduct and promote ethical conduct (Treviño & Weaver, 2003). Culture is the informal control system of an organization (Deal & Kennedy, 1982), comprised of common values, beliefs and traditions. Ethical culture encompasses the experiences, assumptions and expectations of managers and employees about how the organization prevents them from behaving unethically and encourages them to behave ethically. Treviño, Butterfield and McCabe (1998) and others use a one-dimensional measure for ethical culture. To date, the only multi-dimensional model of ethical culture of organizations that has been developed and tested extensively is by Kaptein (1998; 2008) which will be employed in this paper.

Following Solomon's virtue-based theory of business (1992, 1999), Kaptein posits that the virtuousness of an organization can be determined by the extent to which the organizational culture promotes managers and employees to act ethically and discourages them from acting unethically. To define these virtues, Kaptein conducted a qualitative analysis of 150 cases of unethical conduct by managers and employees that could (partly) be related to the organizational culture in which they worked. The

resulting list of cultural items were subjected to exploratory and confirmatory factor analyses showing eight factors with a good overall fit of the model. Evidence of convergent and discriminant validity was also found. In brief, the resulting virtues are as follows.

The first organizational virtue is clarity, i.e. the extent to which ethical expectations, such as values, norms and rules are concrete, comprehensive and understandable to managers and employees. The second virtue is consistency of management defined as the extent to which the board and middle-management act in accordance with ethical expectations. The third virtue is consistency of supervisors defined as the extent to which supervisors act in accordance with ethical expectations. The fourth virtue is feasibility which is defined as the extent to which the organization provides sufficient time, budgets, equipment, information, and authority to management and employees to fulfill their responsibilities. The fifth virtue is supportability defined as the extent to which the organization stimulates identification with, involvement in and commitment to ethical expectations among management and employees. The sixth virtue is transparency defined as the extent to which ethical and unethical conduct and its consequences are visible to those who can act upon it. Another virtue is discussability which is defined as the extent to which managers and employees have the opportunity to raise and discuss ethical issues, such as ethical dilemmas and alleged unethical conduct. And the final virtue is sanctionability defined as the extent to which managers and employees believe that unethical behavior will be punished and ethical behavior will be rewarded, as well as the extent to which the organization learns from unethical conduct.

It is conceivable that an ethics program has a different relationship to the respective dimensions (that is, virtues) of the ethical culture. These relationships may differ in terms of significance, strength and even nature (i.e. positive or negative). For



example, an ethics program may have a greater impact on creating clarity about the ethical expectations and less impact on feasibility because pressures to behave unethically may especially be created by external expectations and competitive forces which are difficult to remove or neutralize by ethics programs. Ethics programs may even be negatively related to the consistency of supervisors if company-wide ethics programs are perceived to reduce the responsibility of supervisors to manage ethics (Heugens, Kaptein, & Van Oosterhout, 2008). We thus arrive at the following hypothesis:

*Hypothesis 1: Distinguishing between different dimensions of ethical culture provides more insight into its relationship with ethics programs than using a one-dimensional measure of ethical culture.*

### **Components of Ethics Programs**

Ethics programs can be defined as the formal (Berenbeim, 1992) or tangible (Treviño & Weaver, 2003) organizational control systems (Weaver, Treviño, & Cochran, 1999a) designed to create an ethical culture (Greenberg, 2002) to impede unethical conduct and promote ethical conduct (Jackson, 1997). They are the “corporate ethics artifacts” (Reidenbach & Robin, 1991: 283).<sup>2</sup> Organizational ethics or compliance programs are often operationalized in empirical studies into one-dimensional measure (e.g. Weaver, Treviño, & Cochran, 1999a). As Treviño (2005: 1198) notes: “Previous studies had generally documented the existence of such programs and elements, but had not attempted to differentiate among them in terms of their “scope”.” For the purposes of this study, we distinguish between nine different components of an ethics program. The scope of an ethics program is determined by the

number of different components a particular organization includes in its program (Treviño, 2005; Weaver, Treviño, & Cochran, 1999a).

A code of ethics is the “foundation” (Murphy, 1988: 908) of an ethics program, the “first step in creating an ethical culture” (Wood & Rimmer, 2003: 192) and “the easiest and cheapest type of effort to foster, or at least signal, ethical intentions” (Treviño & Weaver, 2003: 73). A code of ethics can be defined as “a distinct and formal document containing a set of prescriptions developed by and for a company to guide present and future behavior on multiple issues of at least its managers and employees toward one another, the company, external stakeholders and/or society in general.” (Kaptein & Schwartz, 2008: 113). The majority of U.S. companies adopted their code in the mid-1980s to mid-1990s (Treviño & Weaver, 2003).

A second common component of an ethics program (Ethics Officer Association, 1997) is a specific ethics officer or ethics office, also called compliance office(r), ombudsperson or ethics committee (Ethics Officer Association, 1997; Kaptein, 2002). An ethics office(r), which according to Treviño and Weaver (2003), is considerably more expensive than an ethics code, can be charged with developing, coordinating and evaluating ethics policies, providing ethics training, and investigating allegations of unethical conduct (Weaver, Treviño, & Cochran, 1999a). Most dedicated officers were appointed during the 1990s (Treviño & Weaver, 2003).

A third component of an ethics program could be formal ethics training and other types of information and communications to clarify ethical expectations and to enhance the skills and commitment of managers and employees to act accordingly (cf. Valentine & Fleischman, 2004). According to LeClair and Ferrell (2000), ethics training programs profoundly shape the ethical culture of an organization.

A fourth, “highly visible” (Treviño & Weaver, 2003: 81) component of an ethics program is a dedicated telephone system, usually called ethics hotline or ethics helpline

that managers and employees can use to discuss ethical dilemmas, report unethical conduct, and/or receive guidance (Weaver, Treviño, & Cochran, 1999a).

Three other components of an ethics program are related to the disciplinary processes within an organization. According to Weaver, Treviño and Cochran (1999a, 1999b), disciplinary processes are relevant components of an ethics program due to the function they fulfill in sanctioning unethical behavior and rewarding ethical behavior. The disciplinary processes may consist of policies to hold management and employees accountable for unethical behavior (component five), policies on investigating allegations of unethical conduct (component six), and policies that create incentives and rewards for ethical conduct (component seven).

Two final components of an ethics program included in this study concern the assessment of ethics. First, organizations may assess their ethical performance by implementing internal monitoring systems and conducting ethics audits (Kaptein, 1998). These self-assessments conducted by academics, consultants, internal and/or external auditors, and/or management itself (Metzger, Dalton, & Hill, 1991) may focus on the content and implementation of ethics programs as well as their outcome. Second, organizations may also assess the ethics of applicants by means of pre-employment screenings so as to attract employees who meet the ethical requirements of the organization and to exclude employees who do not meet these requirements (Hollwitz & Pawlowski, 1997).

It is conceivable that each component of an ethics program has a different relationship with the ethical culture of an organization. For example, pre-employment screening, which takes place before appointing employees, and ethics hotlines, which are consulted in more or less exceptional situations, may be less related to ethical culture than ethics codes, the foundation of an ethics program, and disciplinary processes, the indicator of an integrated ethics program (Weaver, Treviño, & Cochran,

1999b). At the same time, components that simply can be communicated externally or that are required by law, such as codes of ethics and ethics hotlines, may be more susceptible to being employed or regarded as symbolic or window-dressing (Weaver, Treviño, & Cochran, 1999b) and consequently less related to the ethical culture of an organization. In sum, we arrive at the following hypothesis:

*Hypothesis 2: Distinguishing between different components of an ethics program provides more insight into the relationship with ethical culture than using a one-dimensional measure of an ethics program.*

### **Using Two Multi-dimensional Constructs**

In Hypothesis 1 the ethical culture of an organization is treated as multi-dimensional whilst the construct of ethics program is regarded as one-dimensional. In Hypothesis 2 the construct of ethics program is treated as multi-dimensional whereas the construct of ethical culture is regarded as one-dimensional. If the two constructs were related to each other in their multi-dimensional form, our understanding of the relationship between ethics program and ethical culture may be enhanced even further. For example, a code of ethics may contribute particularly to clarity in the organization since a code describes what ethical conduct is expected from management and employees (Schwartz, 2004). Ethics training may be related to clarity but also to supportability if it aims to increase managers and employees' commitment to ethics in the organization. On the other hand, an ethics hotline may be less related to clarity as it only creates clarity for those using the hotline for advice on interpreting policies and more related to transparency as unethical conduct reported to management via the hotline may enhance awareness of the

types of unethical conduct that occur in the organization. Therefore, Hypothesis 3 reads as follows:

*Hypothesis 3: Distinguishing between different components or dimensions of an ethics program and ethical culture provides more insight into the mutual relationship between the constructs than using a one-dimensional measure for one of these constructs.*

## **METHODOLOGY**

### **Data**

Following the suggestion of Treviño and Weaver (2003) to conduct this type of research in multiple work settings by means of a panel, data was collected from the U.S. working population. Between November 2004 and March 2005, a digital survey was sent to 6,797 adults working for organizations in the U.S. with at least 200 employees. The sample was compiled on the basis of its representativity by the private panel database firm National Family Opinion in which the individuals are registered. Respondents were instructed to complete the survey as it applies to their current work situation. With a return of 4,056 completed questionnaires, a response rate of 59.7 percent was achieved.

Of the respondents, 53% were female. With regard to job tenure, 8% had been working for less than a year, 31% between 1 and 5 years, 17% between 6 and 10 years, and 44% for more than 10 years. With regard to age, 17% were between 18 and 34 years old, 59% between 35 and 54 years, and 24% were older than 54 years. 36% of the respondents worked for an organization with 200 to 1,000 employees, 24% with 1,000

and 5,000 employees, 11% with 5,000 and 10,000 employees, and 28% with more than 10,000 employees. Regarding geography, 28% of the respondents were living in the Midwest, 22% in the Northeast, 19% in the Southeast, 14% in the West, 10% in the Southwest, and 7% in the Mid-Atlantic. As for hierarchical level, 32% of the respondents held a managerial position, 13% of which as supervisor, 12% as mid-level manager, 4% as senior manager or junior executive, and 3% as senior executive or director.

## **Measures**

To measure the eight dimensions of the ethical culture of a business organization, Version 2 of the questionnaire ‘The Integrity Thermometer’ was used (Kaptein & Avelino, 2005; KPMG, 2005).<sup>3</sup> Items were measured using a 5-point Likert type scale ranging from “1= strongly disagree” to “5 = strongly agree”. To avoid circularity, the culture questions did not refer to the ethics program or one or more of its components. For example, management consistency was not formulated as “commitment to the ethics program” but as “sets a good example in terms of ethical behavior” or, for example, “would never authorize unethical or illegal conduct to meet business goals”. Reliability (Cronbach’s alphas), as depicted on the diagonal of Table 1, was above the minimum of .70 (Nunally, 1978).

The construct of ethics program was operationalized as the knowledge respondents have about the existence of the nine different components of an ethics program in their organization. Explorative factor analysis (Principal Axis factoring) with an oblique (Direct Oblimin) rotation resulted in one factor, with factor loadings ranging from .48 for “pre-employment screening” to .74 for “policies to hold staff accountable for unethical conduct”, with extracted sums of squared loadings of 40.89%.

The factor loading of each component is depicted on the diagonal in Table 1. For the analysis regarding Hypothesis 1 of using a one-dimensional measure of an ethics program, the total number of reported components was calculated (ranging from 0 to 9) (*cf.*, Weaver, Treviño, & Cochran, 1999a). To test hypotheses 2 and 3 all components of an ethics program were included separately in the analyses.

Five control variables were entered into the analyses: hierarchical level (six categories), tenure (five categories), age (eight categories), and gender (two categories) of the respondent as well as the size of the organization (five categories).

## **Results**

Table 1 depicts the means, standard deviations, and correlations for all variables.

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**Insert Table 1 about here**  
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To compare the value of using multi-dimensional measures for both constructs over a one-dimensional measure, we first have to examine the relationship of the two constructs when both are employed in a one-dimensional way. Table 2 depicts the results of the hierarchical regression analyses for both one-dimensional constructs. Of the control variables, only gender had no significant relationship. The regression coefficient ( $\beta$ ) between ethics programs and ethical cultures was .5 (with  $p < .01$ ). These findings correspond with Goodell's (1994) finding that the broader the scope of an ethics program, the better the ethical culture is. Control variables accounted for 0.8

percent (=adjusted R<sup>2</sup>) of variance in ethical culture. The complete model accounted for a variance of 24 percent.

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**Insert Table 2 about here**

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Table 3 displays the results of the hierarchical regression analyses for different dimensions of ethical culture and a one-dimensional measure for ethics program. To reduce the potential effects of multicollinearity, an additional control variable was included that captured for each dimension of ethical culture the mean scores of the other seven dimensions so that the net relationship between an ethics program and each specific dimension of ethical culture could be better assessed. Based on the analysis using two one-dimensional measures, one would expect that all relationships between an ethics program and the individual dimensions of culture would be significant and positive. There was, however, a significant relation between ethics programs and ethical cultures for just six of the dimensions of ethical culture. For discussability, there was a low, but significant, regression coefficient ( $\beta = .03$ ) and for clarity, there was a very high, significant, coefficient ( $\beta = .53$ ). No relationship could be discerned between ethics programs and the dimensions of supportability and feasibility. Whereas the relationship with four of the six dimensions was positive, the relationship with consistency of supervisors and discussability were negative, suggesting that the broader the scope of an ethics program the less these two dimensions of ethical culture are affected. Hypothesis 1 can, therefore, be supported: drawing a distinction between different dimensions of ethical culture shows that these dimensions have different relationships with the scope of an ethics program. Based only on the findings presented



in Table 2, one would conclude that ethics programs are positively related to the dimensions of ethical culture. However, the findings presented in Table 3, show that ethics programs are positively related to four dimensions of ethical culture, negatively related to two other dimensions, and not at all related to two other dimensions.

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**Insert Table 3 about here**

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Table 4 depicts the results of the hierarchical regression analysis for each component of an ethics program, whereas for the construct of ethical culture a composite measure was used (i.e. the average score for all 8 dimensions). All components were significantly related to the ethical culture except pre-employment screening. All significant relationships were positive, suggesting that when organizations have these components in place, the ethical culture is more virtuous. The regression coefficients differed, ranging from .06 for ethics hotlines to .21 for policies to hold management and employees accountable for unethical conduct, thereby indicating different strengths in relationships. Therefore, Hypothesis 2 can be supported.

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**Insert Table 4 about here**

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Table 5 reports the results of the hierarchical regression analysis for each individual component of an ethics program as well as each dimension of ethical culture. Of the 72 (8\*9) possible relationships, 20 were significant. Of the significant

relationships, 13 were positive and 7 were negative. All components of an ethics program had a significant relationship with at least one dimension of ethical culture. However, no individual component had a significant relationship with more than half of the dimensions of ethical culture. Except for discussability, all dimensions of ethical culture had a significant relationship with at least one component of an ethics program. However, no single dimension of ethical culture had a significant relationship with more than half of the components of an ethics program. No component of an ethics program had the same type of significant relationship with the respective dimensions of ethical culture. The results showed that the individual relationships between the components of an ethics program and the dimensions of ethical culture are very mixed. Relating the unpacked constructs of an ethics program and ethical culture with each other therefore provides additional insight into their relationship. Hypothesis 3 can therefore be accepted.

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**Insert Table 5 about here**  
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## **DISCUSSION**

The results of this study show that the relationship between the individual components of an ethics program and ethical culture diverges. Distinguishing between the components of an ethics program and the dimensions of the ethical culture of an organization helps us to gain a better understanding of these interesting and multi-faceted relationships. This was demonstrated by the finding that the use of a one-dimensional measure for ethics programs and ethical culture yielded a strong positive

relationship. By introducing one of the two constructs multi-dimensionally revealed that many but not all relationships were significant. Using a multi-dimensional measure for ethical culture showed that, except for the dimensions of feasibility and supportability, all six other dimensions had a significant relationship with ethics programs. Using a multi-dimensional measure for ethics programs showed that, except for the component of pre-employment screening, all eight other components had a significant relationship with ethical culture. By introducing both constructs multi-dimensionally showed that the majority of the relationships were not significant: only 20 of the 72 relationships were significant. Of the twenty significant relationships, seven were negative.

The study, which was based on a large sample, generated some interesting findings. Table 5 shows that clarity as dimension of ethical culture had the most positive significant relationships with different components of ethics programs: i.e. code of ethics, ethics office(r), ethics training and communication, and pre-employment screening. According to these findings, ethics programs appear to contribute especially to increasing the clarity of ethical values, norms and rules among managers and employees.

No component of an ethics program had a positive relationship with role-modeling of supervisors. A significant relationship between role modeling and ethics office(r) was found, but it was negative. These findings seem to indicate that none of the included components of an ethics program contribute to role-model behavior of supervisors, and that an ethics office(r) is even negatively related to role-model behavior of supervisors. A possible explanation for this finding could be that subordinates perceive the presence of an ethics office(r) as an inability on the part of supervisors to handle ethics issues. Or the presence of an ethics office(r) may “foster suspicion of unfairness” (Treviño & Weaver, 2003: 79) among subordinates who then project these feelings on their supervisor. It could also be that supervisors perceive an ethics office(r) as a threat to

their authority or as a way to shift their responsibility for ethics management, both of which lead to a decline in their commitment to ethics.

The cultural dimension of discussability had no significant relationship with any of the components of an ethics program included in the study. Although discussability has been viewed as an important factor in preventing unethical conduct and promoting ethical conduct (Bird, 1996; Miethe & Rothschild, 1994), ethics programs as operationalized in this study and currently implemented in U.S. organizations, seem to have no influence.

Consistency of management showed a positive relationship with ethics office(r)s as well as ethics training and communications whereas a negative relationship was discerned with ethics monitoring and auditing as well as incentives and reward policies for ethical conduct. Feasibility had a positive relation to ethics office(r)s whereas a negative relation with ethics hotlines was found. Transparency's relationship with ethics monitoring and auditing as well as incentives and reward policies for ethical conduct was positive whereas its relation with codes of ethics as well as ethics training and communications was negative. Sanctionability showed a positive relationship with policies to hold staff accountable for unethical conduct and response policies for unethical behavior whereas the relationship with ethics office(r) was negative. The results showed that a given component of an ethics program can have a positive relationship with one or more dimensions of ethical culture and at the same time have a negative relationship with one or more other dimensions of ethical culture. For example, codes of ethics had a positive relationship with clarity, but a negative relationship with transparency. Three other components, i.e. ethics office(r), ethics training and communications, and ethics monitoring and auditing also had a mixed relationship with the individual dimensions of ethical culture.

One other finding of this study is that ethics hotlines had a significant relationship with only one dimension of ethical culture, i.e. feasibility. Notable is that this relationship was negative. This finding is remarkable in view of the extensive media attention to the corporate scandals at the beginning of this century and subsequent call to develop and implement effective whistleblower policies (Times, 2002) coupled with the legal pressure, such as created by the Sarbanes-Oxley Act of 2002, to introduce ethics hotlines. It is however beyond the scope of this study to give an adequate explanation for this finding.

### **Limitations and Future Research**

This study demonstrated that treating ethical program and ethical culture as multi-dimensional constructs offers greater insight into the multi-faceted relationship between ethics program and ethical culture than when using a one-dimensional measure for one or both of these constructs. At the same time, the study also has its limitations which provide a point of departure for future research into understanding the relationship between ethics program and ethical culture. Six limitations and directions for future research will be discussed here.

A first important limitation concerns the way in which the components of an ethics program have been operationalized, that is, whether they just exist or not within the organization of the respondents. However, the relationship between ethics program and ethical culture depends also on the content and quality of the components of an ethics program as well as the way in which they are developed and implemented (cf., Metzger, Dalton, & Hill, 1993). Having a code of ethics says nothing about the topics it addresses, the norms for each of these subjects and the way these norms are phrased. Neither does it say anything about the way the code of ethics is distributed, or the

intensity and frequency with which it is communicated, or the way it has been developed by for example involving staff and external stakeholders (Murphy, 1995; Kaptein & Schwartz, 2008; Nijhof, Fisscher, & Looise, 2000; Wood & Rimmer, 2003). The relationships may differ further if we would be able to make a distinction in the content, quality, development and implementation of the components, especially because they vary hugely in practice (Reynolds & Bowie, 2004; Treviño & Weaver, 2003). The reasons and objectives for adopting an ethics program could also influence the relationship between ethics programs and ethical cultures (Weaver, Treviño, & Cochran, 1999a, b). Future research could add these items to the questionnaire that has been used in this study.

A second limitation of the study is that it does not consider the sequence in which the components are adopted. In this study, an ethics program was operationalized in nine components, whereas the composite measure of an ethics program, defined as its scope, was created by counting the number of components within one organization. The relationship between ethics programs and ethical cultures may not only depend on the number of components, its content, quality, development, implementation and objectives (as discussed in the first limitation), but also on the sequence in which the components are adopted. For example, it is probably more effective to first develop and implement a code of ethics and then introduce ethics training than the other way round (Ferrell & Fraedrich, 1994). Future research could include this sequence by asking respondents directly to name the year each component was implemented (as far as they are capable to remember this) or by clustering companies in accordance with the types of components in place.

A third limitation of the study is that we cannot extrapolate the results to the organizational level of business organizations. Because respondents have been asked about the presence of different components of an ethics program in their organization,

we only assessed the relationship in so far as respondents are familiar with it. Given the possibility that components of an ethics program exist but are not sufficiently communicated to management and employees, implies that the relationships could be weaker if the existing but hitherto unknown components are taken into account. The likelihood that the converse might occur, i.e. respondents indicating that a component is present although it does not exist, is low. To include the components that are adopted on organizational level would require a different type of research. It would require access to the boards or policy makers from the organizations of the participating respondents and being able to relate the existing components to the perceptions of the respondents. Farrell, Cobbin and Farrell (2002) have conducted a similar type of research although it was on a limited scale, i.e. within eight companies. Including company level data about the existence and also content, quality, development, implementation and objectives of each component of an ethics program would reduce the common source and method bias, a limitation of the present study (*cf.*, Podsakoff, MacKenzie, & Lee, 2003).

A fourth limitation of this study is that because the data were cross-sectional, we need to be tentative in inferring causal relationships. Although it is reasonable to depart from the assumption that an ethics program impacts the ethical culture and not the other way around, the effectiveness of the components of an ethics program could still depend on the existing ethical culture. For example, the positive impact of an ethics hotline on the cultural dimension of supportability may be linked to a level of supportability already in existence. In a culture lacking in supportability, the implementation of a hotline could even lead to a further decline in supportability if it is regarded as a motion of distrust, a mechanism for gossiping and betrayal, and confirmation that management cannot be trusted (Reynolds & Bowie, 2004; Stansbury & Barry, 2007). Moreover, Weaver, Treviño and Cochran (1999a) found that executives who are strongly committed to ethics will influence their organization to broaden the scope of its ethics

program. It is also possible that primarily companies with poor ethical cultures have adopted an ethics program. If an ethics program were to improve poor organizational culture, it would lead to less or even no difference between the ethical culture of the organizations with and without an ethics program and consequently to the erroneous conclusion that the relationship between ethics programs and ethical cultures is weak or even insignificant. This effect is, however, negligible given that many components of an ethics program, as shown in Table 1, are currently in place within many U.S. organizations (*cf.*, Weaver, Trevino, & Cochran, 1999c).

A fifth limitation of the study is that no other variables were included in the analysis than those pertaining to ethics programs and ethical cultures, and five control variables. In this study, the relationship between ethics programs and ethical cultures was central. The effectiveness of an ethics program could also be related to its direct influence on behavior without ethical culture acting as mediating or moderating factor (Weaver & Treviño, 1999), thereby increasing the value of adopting an ethics program. Future research could therefore include a scale for unethical behavior, such as the scale that has been developed and tested by Kaptein (2009). Weaver and Treviño, (1999) have already conducted similar research, but they used a one-dimensional construct for both ethics program and ethical culture. To further understand and improve the ethical culture of organizations other factors could be included given that ethics programs represent “one piece of the puzzle in a wider encouragement of ethical cultures” (Barnes, 2007: 121) and not the “cure-all solution” (Barnes, 2007: 122). In addition to the five control variables used in this study, future studies could also include other variables that may affect the relationship between ethics programs and ethical cultures, such as environmental pressure (Baucus & Near, 1991), national culture (Weaver, 2001), and negative media attention (Weaver, Trevino, & Cochran, 1999b).



A sixth and final limitation of the study is that the findings are only a snapshot in time. The findings say nothing about the potential relationship between ethics programs and ethical cultures, given that the content, quality, development and implementation of ethics programs could improve (Barnes, 2007; Reynolds & Bowie, 2004). For example, the finding that none of the components of an ethics program is related to the cultural dimension of discussability may say more about the orientation of ethics programs in the U.S. at the time the study was conducted, which according to Reynolds and Bowie (2004) was largely compliance-driven,, than of their potential value, when programs are more integrity- or values-based (*cf.*, Paine, 1994). If this research were to be repeated in the U.S. and in other countries, developments in the U.S. and differences between countries could be revealed. The current relationship between ethics programs and ethical cultures, where only 13 of the 72 relationships are positive and significant, suggests that to improve our knowledge of developing and implementing effective ethics programs much more scientific research is required than has been conducted to date (*e.g.*, Joshua, 2002; Knouse & Giacalone, 1996; Martens & Day, 1999; Navran, 1997; Rafalko, 2003; Reynolds & Bowie, 2004).

### **Managerial Implications**

The results of this study show that many of the potential relationships between the components of ethics programs and the dimensions of ethical culture are not significant or, if significant, not very strong. This suggests that the manner in which ethics programs are developed and implemented - at least in the U.S. - has a marginal impact on the ethical culture of the organization. Although cultures are deeply entrenched and hard to improve (Schein, 2004), the results may challenge boards and

management to assess the effectiveness of their ethics program and, if necessary and possible, to take steps to improve it.

For management, this paper also illustrates that in order to improve the ethical culture of an organization the dimensions of the ethical culture that are to be improved should first be determined. Ethical culture is not a one-dimensional, monolithic construct. By assessing the ethical culture first, for example, by means of focus groups (Treviño & Brown, 2004) or anonymous surveys (Kaptein & Avelino, 2005), management can identify which ethical dimensions require improvement and which components of an ethics program are particularly helpful in improving these dimensions. In this way, the relationship between ethics programs and ethical cultures will become stronger.

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**TABLE 1**  
**Means, Standard Deviations, and Correlations<sup>a</sup>**

Variables	Mea	s.d.																								
	n		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	
1. Code of ethics	.77	.42	(.65)																							
2. Ethics office(r)	.52	.50	.44**	(.64)																						
3. Training, communications	.60	.49	.29**	.28**	(.73)																					
4. Pre-employment screening	.69	.46	.55**	.43**	.35**	(.48)																				
5. Monitoring and auditing	.44	.50	.35**	.43**	.35**	.48**	(.66)																			
6. Ethics hotline	.48	.50	.35**	.45**	.26**	.38**	.36**	(.59)																		
7. Incentives policies	.23	.42	.22**	.30**	.24**	.30**	.41**	.32**	(.48)																	
8. Accountability policies	.65	.48	.50**	.42**	.31**	.51**	.45**	.42**	.34**	(.74)																
9. Response policies	.65	.48	.48**	.41**	.34**	.51**	.43**	.42**	.33**	.61**	(.73)															
10. Scope of program	4.87	2.89	.67**	.69**	.56**	.73**	.70**	.66**	.55**	.74**	.74**	(.86)														
11. Clarity	4.05	.83	.34**	.30**	.20**	.35**	.29**	.21**	.20**	.33**	.31**	.40**	(.89)													
12. Consistency management	3.88	.95	.28**	.29**	.17**	.31**	.28**	.20**	.21**	.31**	.31**	.37**	.55**	(.92)												
13. Consistency supervisors	3.94	.89	.28**	.24**	.16**	.29**	.29**	.17**	.22**	.31**	.30**	.35**	.53**	.65**	(.90)											
14. Feasibility	3.72	.91	.28**	.28**	.16**	.30**	.31**	.18**	.25**	.32**	.31**	.37**	.52**	.77**	.80**	(.84)										
15. Supportability	3.98	.67	.25**	.24**	.17**	.26**	.30**	.17**	.24**	.28**	.27**	.33**	.48**	.55**	.66**	.61**	(.91)									
15. Transparency	3.53	.81	.23**	.26**	.15**	.26**	.35**	.18**	.30**	.30**	.28**	.35**	.42**	.58**	.65**	.69**	.76**	(.82)								
17. Discussability	3.73	.89	.21**	.21**	.12**	.24**	.25**	.14**	.20**	.26**	.25**	.29**	.38**	.53**	.66**	.64**	.56**	.58**	(.78)							
18. Sanctionability	3.71	.88	.28**	.26**	.18**	.31**	.32**	.20**	.25**	.35**	.34**	.38**	.50**	.72**	.78**	.81**	.61**	.70**	.64**	(.87)						
19. Culture total	3.82	.71	.32**	.31**	.20**	.35**	.36**	.22**	.28**	.37**	.36**	.43**	.67**	.83**	.88**	.90**	.79**	.81**	.77**	.88**	(.93)					

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20. Hierarchy	1.70	1.09	-.05**	-.01	.00	-.04*	.01	-.01	.01	-.01	-.01	-.04**	.06**	.01	.00	.03*	.04**	.04*	.02	.04**	-.04**				
21. Tenure	3.78	1.32	.06**	.07**	-.01	.04**	.01	.06**	-.03*	.06**	.07**	.05**	.06**	-.04**	-.05**	-.06**	-.01	-.04**	-.05**	-.07**	.04**	.06**			
22. Age	5.68	1.97	.02	.04*	-.05**	.01	.00	-.01	-.03	.02	.01	-.01	.07**	.01	-.00	-.00	.03*	.02	.02	.00	-.02	.07**	.38**		
23. Size	2.80	1.67	.21**	.20**	.11**	.22**	.14**	.29**	.05**	.18**	.18**	.28**	.06**	.01	.04*	-.00	.03*	.00	-.01	.01	-.02	-.07**	.14**	-.01	
24. Gender	1.53	.50	.01	.05**	.01	-.01	.02	.02	.02	-.02	-.00	.01	.03*	.06**	.02	.04**	.06**	.06**	.02	.02	-.04**	-.00	-.06**	-.04**	-.05**

<sup>a</sup> On the diagonal, factor loadings are depicted for the components of an ethics program (1-9) and Cronbach's alpha for the dimensions of an ethical culture (10-19).

\*\* p < 0.01

\* p < 0.05

**TABLE 2**

**Hierarchical Regression Results with One-Dimensional Measures of Ethical Culture and Ethics Program**

<b>Variables</b>	<b>Culture Total</b>
Constant	2.72
Control	
Hierarchy	.02**
Tenure	-.05**
Age	.02**
Size	-.04**
Gender	.03
Scope of ethics program	.50**
R <sup>2</sup>	.24
F	190.94**

\*\* p < 0.01

\* p < 0.05

**TABLE 3**

**Hierarchical Regression Results with Different Dimensions of Ethical Culture**

Variables	Clarity	Consistency of management	Consistency of supervisors	Feasibility	Supportability	Transparency	Discussability	Sanctionability
Constant	4.67	6.08	6.03	6.52	4.74	5.79	5.46	6.22
Control								
Hierarchy	.05**	.02*	-.03**	-.01	.02*	-.01	.01**	.02*
Tenure	.03**	-.02	-.00	-.01	.01	-.01	-.02	-.02**
Age	.03**	.00	-.01*	-.01*	.01	.00	.00	.00
Size	.00	-.01	.01*	-.02**	.01*	-.02*	-.01	.00
Gender	.04	.07**	-.05**	-.00	.05**	.04*	-.05*	-.05**
Culture	.47**	.73**	.85**	.86**	.72**	.73**	.69*	.83**
Scope of ethics program	.53**	.15**	-.08**	.01	.03	.15**	-.03**	.10**
R <sup>2</sup>	.37	.57	.69	.74	.54	.58	.48	.72
F	283.93**	628.15**	1052.18**	1356.47**	559.73**	644.57**	431.26**	1217.94**

\*\* p < 0.01

\* p < 0.05

**TABLE 4**

**Hierarchical Regression Results with Different Components of Ethics Program**

Variables	Culture Total
Constant	2.72
Control	
Hierarchy	.02**
Tenure	-.05**
Age	.02**
Size	-.04**
Gender <sup>b</sup>	.03
Components of ethics program	
Code of ethics	.18**
Ethics office(r)	.11**
Ethics training and communications	.16**
Pre-employment screening on ethics	.00
Monitoring and auditing of ethics	.19**
Ethics hotline	.06**
Incentives and rewards policies for ethical conduct	.13**
Policies to hold staff accountable for unethical conduct	.21**
Response policies for unethical conduct	.17**
R <sup>2</sup>	.27
F	88.22**

\*\* p < 0.01

\* p < 0.05

**TABLE 5**

**Hierarchical Regression Results with Different Dimensions of Ethics Program and Ethical Culture**

Variables	Clarity	Consistency of management	Consistency of supervisors	Feasibility	Supportability	Transparency	Discussability	Sanctionability
Constant	1.33	-.03	-.11	-.48	1.24	.30	.53	-.19
Control								
Hierarchy	.03**	-.01	-.01	-.00	.01	.00	-.01	.00
Tenure	.04**	-.02*	-.01	-.01	.01	-.01	-.02	-.02**
Age	.03**	.00	-.01*	-.01	.00	.00	.01	-.01
Size	-.01	-.01	.01*	-.01	.02**	-.01	-.01	-.00
Gender	.02	.06*	-.03*	.00	.04*	.04*	-.04	-.06**
Culture	.46**	.73**	.85**	.86**	.73**	.72**	.69**	.83**
Components of ethics program								
Code of ethics	.22**	-.00	.04	-.03	.03	-.06*	-.04	-.03
Ethics office(r)	.08**	.09*	-.06**	.06**	-.02	.00	-.02	-.04*
Ethics training and communications	.19**	.10**	-.02	-.00	-.04	-.08**	.00	-.00
Pre-employment screening on ethics	.07*	.01	-.01	-.02	.03	-.02	-.04	-.01
Monitoring and auditing of ethics	-.01	-.06*	-.04	.00	.06**	.16**	.03	.01
Ethics hotline	.00	.03	-.02	-.05**	-.01	-.03	-.00	.02
Incentives and rewards policies for ethical conduct	-.03	-.06*	-.03	.00	.05*	.16**	.02	-.01
Policies to hold staff accountable for unethical conduct	.04	.03	-.00	.02	-.02	.03	.01	.06*
Response policies for unethical conduct	.02	.01	.02	-.00	-.01	.00	.02	.09**
R <sup>2</sup>	.38	.58	.70	.74	.55	.59	.48	.72
F	131.52**	289.62**	491.17**	623.45**	260.28**	313.76**	197.13**	561.68**

\*\* p < 0.01

\* p < 0.05

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<sup>2</sup> According to Brenner (1992), ethics programs consist of both explicit and implicit components. The implicit components, i.e. the ethical organizational culture, are considered in this paper as a different construct (*cf.*, Treviño & Weaver, 2003).

<sup>3</sup> Version 1 is the questionnaire as developed and presented by Kaptein (1998) and Kaptein and Van Dalen (2000). Version 3 is the questionnaire as further developed and tested by Kaptein (2008).

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