

Coercion, Guidance and Mercifulness: The Different Influences of Ethics Programs on Decision-Making

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ABSTRACT. The development of an ethics program is a method frequently used for organising responsible behaviour within organisations. For such a program, certain preconditions have to be created in the structure, culture and strategy. In this organisational context, managers have to take their decisions in a responsible way. This process of decision-making, embedded in an ethics program, is the main focus of this article. Ethics programs often influence decision-making in a *formal* way; certain norms and types of behaviour are formalised and controlled within the organisation. Subsequently, individual managers have to infer the meaning of responsible behaviour from the demands laid down in the ethics program. Such a formal ethics program has some important advantages but the dangers of such an approach are often ignored. This article discusses both the advantages and disadvantages of a formal ethics program and adds two alternative ways of stimulating responsible behaviour in the organisation. In a *monological* approach the reflections of the decision makers on their own values are central in differentiating between right and wrong.

In a *dialogical* approach, the communications between decision makers and other stakeholders involved are the foundations for determining a responsible solution. Because each approach is appropriate for certain issues, a well-chosen combination is justified. Such an ethics program should be strict on certain issues but leave room for reflection and interaction on other issues.

KEY WORDS: code of conduct, ethical decision-making, ethics program, indoctrination of employees, resistance

Introduction

The process of developing an ethics program is a well-discussed topic in the literature on business ethics (see for example Paine, 1994; Weaver, Trevino and Cochran, 1999). During the process there is, in most cases, an intensive debate between different stakeholders. In this way, a code of conduct is formulated that includes ethical guidelines that are supported by most stakeholders (Hummels, 1998). To enable external monitoring these ethical guidelines are often formulated in strict and measurable terms. Through various monitoring and reward systems, the organisation ensures that individual managers act in congruence with these ethical guidelines.

Such an approach can be characterised as a formal approach to moral decisions; the organisation gives formal guidelines to distinguish between responsible and irresponsible behaviour. *These guidelines might be set through dialogue with all stakeholders, but in terms of decision-making by individual managers this way of stimulating respon-*

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sible behaviour is not dialogical in nature. Managers have to infer the meaning of right and wrong from the official organisational norms laid down in a code of conduct.

In this article we do *not* examine the process of developing a corporate ethics program. Instead, this article focuses on the different approaches of ethics programs for influencing responsible decision-making in daily operations, hence the application of ethics programs (Figure 1). To an individual manager who has to make a decision concerning an immediate moral dilemma, the content of an ethics program is fixed. It is part of the organisational context within which they have to take their decisions.

From the viewpoint of the individual manager, ethics programs can enforce conformity to strict organisational rules and responsibilities. This is referred to as a formal approach to ethics programs. Alongside a formal approach, two other approaches to ethics programs can be identified; a monological and a dialogical approach. This article discusses the advantages and disadvantages of these different forms of ethics programs and the way they influence individual decision-making.

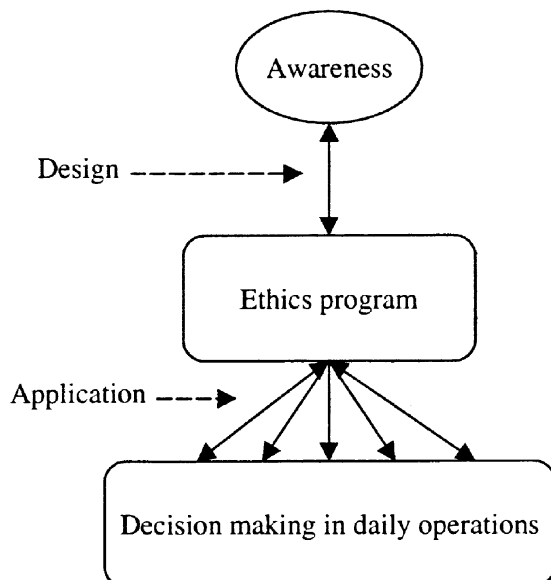


Figure 1. Focus of the research project.

Formal approach: coercing compliance to organisational rules

When an ethics program is started because of external pressures, the organisation has to clarify what it stands for. Therefore, well-defined and measurable rules are written down in a code of conduct. Such a code of conduct clearly states what employees should do to act in a responsible way. It also makes clear what external parties can expect from the company. In order to guarantee these expectations, compliance to the organisational rules needs to be enforced. Measurement and assessment systems in an organisation constitute a control system to ensure compliancy.

This form of an ethics program should be seen as a top-down one. Not because the process that led to the code of conduct is necessarily top down; this might have been done in a bottom-up, top-down or a combined way (Dunbar and Ahlstrom, 1995). The labelling as a top-down ethics program reflects the actions *after* the code of conduct is formulated. The essential point of such an ethics program is that formal rules are established to distinguish between right and wrong. When employees are making decisions these formal rules make clear what they ought to do. In the process of decision-making, as well as when responding to people who question the outcomes of this process, managers will refer to rules and principles. In fact such a formal approach implies a deductive way of decision-making.

Evaluation of a formal approach

A formal approach to ethics programs has some well-known advantages such as clear guidelines for decision-making and a clear statement on what the organisation stands for. Alongside these advantages a formal approach has also some more dubious aspects, especially, natural resistance to coercion, the indoctrination of employees and the possibility of moral inversion. These disadvantages are clarified separately below. First, the advantages and disadvantages of a formal approach are summarised in Table I.

Case I: Social rules at a chemical multinational

There are many examples of formal approaches to ethics programs. All rules in a code of conduct that pose strict guidelines such as “asking for, paying or expecting a bribe is unacceptable” or “creating equal opportunities for employees” are examples of a formal approach. In one of the case studies we performed there were also clear examples of a formal approach in the social rules. This was in a business unit of a large multinational in the chemical industry. The social rules applied to every organisational change in the company that has severe consequences for the employees. The rights and duties of both the company and of the employees were stated in the social rules. An example is: “the company strives to find an appropriate function, by preference within the concern, for every employee who loses his present function due to an organisational change.” During the case study a part of the business unit was reorganised. As a consequence 12 of the 20 employees who worked in that department were no longer needed. The managers involved in this change process had clear guidelines in the social rules as to how to deal with the consequences. On the one hand this led to easy decision-making because all discussions, both by managers and by the employees who lost their jobs, could be concluded by referring to the social rules. On the other hand, the employees stated that the managers had no compassion, were strict rule-followers and that there was a large “gap” between managers and production employees.

TABLE I
Main advantages and disadvantages of the formal approach

Amenities	Disadvantages
<ul style="list-style-type: none"> • Clear guidance for decision-making • Fulfilment is measurable • States what the organisation stands for 	<ul style="list-style-type: none"> • Resistance to coercion • Indoctrination of employees • Danger of moral inversion

Resistance to coercion

In a formal approach to ethics programs certain rules are written down. Through monitoring and assessment systems the compliance to these rules is coerced. Because of this coercion it is a natural reaction to resist to a certain extent (Beer, 1988). This resistance can only be overcome when compliance with certain norms is felt from within.

This resistance can arise with both decision makers and those influenced by the decision. Many ethics programs are directed at training decision makers to ensure that they act in accordance with the organisational rules. But even when decision makers are convinced that the decisions are responsible it does not automatically follow that others will share that opinion. With a formal approach the consideration of “what’s the right thing to do” is based on the norms of the organisation, while the other people involved

judge the decision on the basis of their own values. This will lead to negative reactions when the values of the others do not overlap with the organisational norms.

Resistance to coercive organisational norms is encouraged because a formal approach does not appeal to any feeling of care or compassion. We observed in several case studies that notions of care could be swept away, or omitted completely, by fixed procedures based on an ethics of justice. Because procedures are fixed in a managerial environment there is a distinction between those who design the rules and those who have to carry them out. This results in the disappearance of a feeling of compassion that is essential for notions of care (Gilligan, 1982; Jagger, 1995). One of the preconditions for positive reactions from others involved is that they have to be convinced that decision makers actually care for them. It will be hard to convince others of this

with only an abstract reference to organisational norms.

Indoctrination of employees

Formal ethics programs are based on the assumption that an organisation should provide the norms and values needed to distinguish between right and wrong. From a change perspective, in a formal approach to ethics programs, the traditional way of dealing with ethical issues is unfrozen, moved through several training and communication sessions and re-frozen on the basis of the organisational way of dealing with ethical issues. In this process the personal values of the employees are replaced by the organisational norms that come out of the ethics program. People in organisations are indoctrinated with external values which, in itself from a normative perspective, can be criticised (Boje and Winsor, 1993; Willmott, 1993).

The indoctrination of employees can partly be overcome by formulating a code of conduct in a bottom up way. Through dialogue within an organisation all employees have the opportunity to influence and co-determine the organisational norms. In this way, employees set the organisational norms that are then written down in a code of conduct. This does not halt the indoctrination of employees but, at least, the employees are indoctrinated by values that are a compromise or, in the ideal situation, a consensus of the views of all employees.

Danger of moral inversion

The emphasis on fixed ethical rules removes the necessity for employees to ethically reflect on their behaviour. Executives, a study group, or bottom-up discussions within the organisation, have already determined what's right and what's wrong. This uncritical belief in the strength and moral superiority of the organisation can easily lead to processes of "group-think". Janis (1982) states that group-think is most likely to occur when members of a group have the illusion of being invulnerable, have a strong tendency to

support dominant beliefs of the group and feel obliged to suppress personal doubts to maintain unanimous consensus. In organisations, group-think can result in moral inversion, through which something evil has been convincingly redefined as something good. This implies that people can engage in acts judged as irresponsible by almost all outsiders, while believing that what they are doing is not only correct but, in fact, good (Adams and Balfour, 1998). To illustrate the meaning of moral inversion a quotation out of the BBC documentary "States of terror" (1993) is very apt. This documentary was about Silke Maier Witt who was a member of the Red Army Faction (RAF). At the time of the interview she was in prison because of her role as an accessory to the kidnapping and murder of a rich German industrialist, Hanns Martin Schleyer.

* Didn't you feel any compassion?

"I think, when you're in a situation like that, you can't dare to feel too much compassion. Because you might not be able to keep on doing it, I think, now. (. . .) I do not think I'm a brutal person or neither the other ones. It was not that we were eager to do it but we felt compelled to do it because of what we wanted."

* Not brutal? This helpless man, pleading for his life was shot and dumped in the back of a car and thrown on the roadside. Not brutal?

"Of course, it was brutal, but I, at that time, I did not let these thoughts affect me. It was awful enough that you really wanted to be like that, to be able to kill somebody. And at the same time we thought that we were trying to make the world a more humane world."

This example clearly shows that within the RAF people believed that they were actually doing the right thing, although almost all outsiders perceived it as brutal and inhumane. In this sense, the members of the RAF felt some kind of a moral superiority because they knew what they had to do, despite all the criticism from the outside world.

It is not our intention to compare an ordinary organisation with a terrorist group like the RAF. Yet the processes of group-think that took place

within the RAF can occur within any ordinary organisation. Moral inversion, maybe in a less dramatic form, is a real danger for every group with strict goals and formal guidelines that state what is the right thing to do. Because of the culture and structure of organisations it is hard to eliminate the danger of moral inversion. The example of the RAF shows that in order to maintain their belief in the cause of the RAF they could not let thoughts of their brutality or feelings of compassion affect them. Perhaps the danger of moral inversion can be overcome by not too easily ignoring pangs of conscience and feelings of discomfort. The other approaches to an ethics program include consideration of these kinds of thoughts and feelings.

Different forums for distinguishing between right and wrong

Our criticism of formal ethics programs should not be seen as a plea to maintain the status quo. We do not claim that the traditional way of dealing with ethical questions is perfect because many organisational structures leave little opportunity for ethical reflection. However, there are alternative approaches for stimulating responsible behaviour in organisations. These different approaches are based on various forums for distinguishing between right and wrong.

Decision makers can turn to three different forums to determine what type of moral responsibilities they have: their own values, the norms of the organisation, and the values of other people involved. These norms and values overlap to some extent so that all forums share some moral responsibilities. Other responsibilities are only acknowledged by one or two forums (see Figure 2). This means that even when, according to one forum, all moral responsibilities have been taken into account, other forums might still have criticisms because a further moral responsibility has been ignored.

Based on the distinctions presented in several forums at least four types of “ideal” approaches can be identified to distinguish between right and wrong:

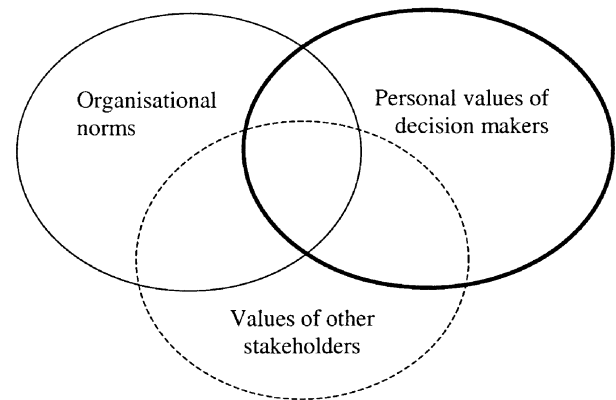


Figure 2. Different sources of ethical norms and values.

1. *Amoral approach*: People with an amoral approach disregard all moral responsibilities when making decisions. Because of its amoral nature it would be totally inappropriate to base an ethics program on an amoral approach.
2. *Formal approach*: With a formal approach moral responsibilities are taken into account insofar as they follow from organisational norms. It tries to set strict norms from which decision makers can infer the right way of acting. The ethics programs discussed earlier are based on this approach.
3. *Monological approach*: In a monological approach moral responsibilities are acknowledged by reference to one's own conscience (the personal values of the decision makers). A monological approach to an ethics program is directed at encouraging decision makers to reflect on their own ethical values. In the following section ethics programs based on a monological approach are discussed in more detail.
4. *Dialogical approach*: In a dialogical approach moral responsibilities are based on the values of both the decision makers and those of the other people involved. This approach is directed at stimulating decision makers to begin a dialogue in order to produce a solution acceptable to all parties involved.

Monological approach

The first alternative builds on the assumption that people can, and should, determine for themselves what is right and wrong. An ethics program that takes this assumption as a starting point should be designed to enable and encourage employees to reflect on their own values in taking decisions. This is referred to as a monological approach for determining ethical behaviour.

The advantages and disadvantages of a monological approach are listed in Table II. For the managerial decision-making process, a monological approach implies that managers reflect on the situation, on relevant values, on alternative choices, and on behaviour. So it is reasonable to characterise the decision-making process as a reflective one.

Dialogical approach

A second alternative to formal ethics programs is based on the assumption that qualifications

such as responsible or irresponsible can only be achieved through communication. Feminist ethics (Gilligan, 1995) and discourse ethics (Steinmann and Löhr, 1996) especially focus on dialogue between the people involved.¹ Ethics programs that aim to stimulate dialogue should create opportunities for communication before decisions are made and carried through. This is referred to as the dialogical approach for determining what is responsible.

The advantages and disadvantages of a dialogical approach are listed in Table III. When strict norms are prescribed in an ethics program, or when these norms are set in a stakeholder debate, it is possible that notions of care are swept away. When a dialogical approach is chosen for decision-making an appeal is made to the relationship between people and the influence of decisions on others. An ethics program that stimulates dialogue should not only find room, but also even create a challenge, to communicate with all people involved. This form of responsible decision-making really can be characterised as interactive.

TABLE II
Main advantages and disadvantages of the monological approach

Advantages	Disadvantages
<ul style="list-style-type: none"> • Focuses on argument and reflection • Leaves room to act upon specific circumstances 	<ul style="list-style-type: none"> • Performance is difficult to measure • Still a one-sided approach • Possibly leads to differences in behaviour

Case II: Ethics program in a Dutch bank

In the Netherlands there are approximately five large banks in the financial market. One of these banks has built upon a monological approach in order to stimulate responsible behaviour. Through intense discussions in the organisation and the use of a questionnaire, four values were determined that are central to the organisation; “functionality”, “durability in relationships”, “integrity in acting” and “commitment to the community”. These values do not inherently state what is the right thing to do. Their importance lies in stimulating reflection in order to include moral considerations in decision-making. All managers, from every part of the bank, have had discussion sessions where they learned from each other how to work with these values. Discussions on ethical dilemmas with colleagues before a decision was made were encouraged. One of the reasons that this bank chose a monological approach was that the bank consists of autonomous units and so the headquarters is not able to impose strict rules on the management of these units.

TABLE III
Main advantages and disadvantages of the dialogical approach

Advantages	Disadvantages
<ul style="list-style-type: none"> • Values and opinions of all parties involved are included • Seeks inclusive solutions • Also attention given to the social dynamic side of ethical issues 	<ul style="list-style-type: none"> • Monitoring report based on process and not on outcomes • Danger of relativism • Leads to differences in behaviour, albeit accepted by the parties involved

Case III: Novo Nordisk's decision about investment in China²

In 1992 Novo Nordisk, a pharmaceutical company with 15,000 employees and headquarters in Denmark, considered starting a joint venture in China. This joint venture would produce medicines for the Chinese market, including insulin for diabetes. From one side this option looked very promising because of the huge market potential. On the other hand the company sensed that starting a joint venture would be a very delicate matter. Reports on the possible partners had produced a lot of rumors and evidence on issues such as child labor, severe consequences for employees who got injured and lack of freedom of association. Instead of turning to regulations and organizational norms Novo Nordisk started a broad dialogue about this option. Representatives of the government, customers, employees in China and in Denmark, and Human Rights groups joined in discussions on what to do. In the end, all parties agreed that a joint venture was desirable provided that the company could enforce improvements in labor conditions and environmental performance. The fact that the joint venture would increase production of life-saving insulin played an important role in the discussion. Because of the importance of these situational factors, preconditions for investing in a developing country were not laid down in a code of conduct. When a new investment decision arises the company and the stakeholders expect to discuss if there are sufficient possibilities and enough trust to improve the social conditions.

Combining the different approaches

The different approaches for distinguishing between right and wrong all have some advantages but also some disadvantages. A combination of the different approaches is potentially attractive because it might include the advantages of one approach while abrogating its disadvantages. However, combining the different approaches is problematic. Not only because this is more complex than a single approach, but also because the approaches are contradictory when applied to the same issue. A formal approach is essentially based on rights ethics, while a monological approach is based on an ethic of justice and a dialogical approach on an ethic of care. These distinct ethical foundations lead to different ways of thinking and different ways of

solving ethical dilemmas (Gilligan, 1982; Hekman, 1995). An overview of aspects of the different approaches is given in Table IV (see also Kaptein, 1998).

Due to the differences in the ethical foundations of the distinct approaches it is very difficult, if not impossible, to combine the approaches on an *individual* issue. In our view, this problem can best be resolved by considering the approaches on an issue-by-issue basis. In other words, for certain issues a formal approach may be the most appropriate, while for other issues a monological or a dialogical approach is more appropriate. For example in the Camisea project,³ Shell will be, for many reasons, very strict on the unacceptability of paying, or asking for, bribes. For this issue a formal approach is best. However, when considering the issue of acquiring accept-

TABLE IV
Aspects of the different approaches of ethics programs

	Formal	Monological	Dialogical
1. Determining moral responsibilities	Through deducing them from a code of conduct	Through reflection on ones own values	Through dialogue with the others involved
2. Solving ethical dilemmas aims to:	Chose the alternative that complies with the code	Chose the right alternative	Find a solution that fulfils all responsibilities
3. Ethical foundation	Rights ethic	Ethic of justice	Ethic of care
4. Core of an ethics program	Stimulating compliancy	Stimulating reflection	Stimulating dialogue
5. Core of a code of conduct	Explicate strict and measurable norms in a code	Indicate fields of attention to be solved through reflection	Indicate fields of attention to be solved through dialogue
6. Core of monitoring systems	Checking compliance with organisational norms	Charting reflection in decision-making	Charting dialogue and registering degree of consensus
7. Typical mediums	– Code of conduct	– Ethics Officer – Asking for a second opinion	Several dialogue forms such as: – Project teams – Moral deliberation
8. Typical examples	– Declaration of human rights – Dismissal as a consequence of bribes	– Responsible care program in the chemical industry	– RU-486 decision at Schering – Shell's Camisea project

able returns on investment a monological approach might be best since it links to the reflection of managers within Shell. For the issues of the effects on the rainforest and the harming of local inhabitants a dialogical way might be chosen, to an extent because it leads to less resistance to the final outcomes.

Conclusion

Much has been written about the need to develop a code of conduct through a debate with all stakeholders. This article defends the position that ethical reflection on ones own values and a dialogue with related people should be included in actual decision-making on daily operations. A stakeholder debate to develop a code of conduct is undoubtedly valuable, but it should

not replace the need for reflection and dialogue when concrete dilemmas have to be solved. Especially when an ethics program is based on strict organisational norms, set during a stakeholder debate or otherwise, this danger of replacing ethical reflection and dialogue in actual decision-making is present.

Organisations that want to stimulate responsible behaviour can choose between ethics programs based on a formal, a monological or a dialogical approach for distinguishing between responsible and irresponsible behaviour. In this *context*⁴ of ethics programs, related to the different approaches, the decision-making process by management may be characterised as deductive, reflective or interactive. Which decision-making *process* is to be preferred depends more-or-less on the *content* of the issue. All of the approaches have certain advantages and disadvantages. The view

that a formal approach is always to be preferred seems to be misplaced, because of the associated disadvantages like resistance to coercion, the indoctrination of employees and the danger of moral inversion. For certain issues an organisation may indeed want to ensure that certain kinds of behaviour never occur. Examples could be the prevention of bribery or child labor. For other issues a monological, possibly combined with a dialogical, approach might be more appropriate for organising ethics. Especially for issues where specific circumstances have to be considered, an ethics program can usefully take a monological and/or dialogical approach. These approaches stimulate reflection by all employees about questions of right and wrong and leave space for listening to other stakeholders both within and outside the organisation.

In this paper several examples have been given covering all three approaches to ethics programs. It should be noted that it has been much easier to come up with examples of a formal approach than with examples of a monological or a dialogical approach. Maybe combining approaches, and in particular using the dialogical approach, is too demanding.

Further examples would be very valuable for evaluating the theoretical distinctions between, and practical applications of, the different approaches.

The emphasis in this article on codes of conduct disregards the linkages with the other parts of a more comprehensive ethics program. A code of conduct is no more than a piece of paper unless people are stimulated to act in line with the code. For an ethics program to be influential it is crucial that the code of conduct is implemented by adapting all parts of the normal way of doing business (Chen, Sawyer and Williams, 1997; McDonald and Nijhof, 1999; Morgan, 1993). In particular, support of managers, job design, information systems, employee selection, training of employees and reward systems are critical areas in this respect.

Notes

¹ Both discourse ethics and feminist ethics call for dialogue in the actual decision-making process. However, the foundation for the dialogue is different. In discourse ethics a rational way of reasoning is prescribed to determine "the best argument". In feminist ethics the dialogue is focussed on being receptive to the needs of other related people in order to determine inclusive solutions.

² More information about the activities and performance of Novo Nordisk in China can be found on their webpage at: www.novo.dk/social_report_1998/china.

³ A description of the Camisea project is available in the second ethical report of Shell (1999). Additional information is available at: www.camisea.com/english/index.htm.

⁴ For the distinction between context, process and content, see Pettigrew and Whipp (1991).

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