

ENCOURAGING ETHICS IN ORGANIZATIONS: A REVIEW OF SOME KEY RESEARCH FINDINGS

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Ethical and unethical workplace behaviors (and their relations, legal and illegal behavior) are complex phenomena, reflecting a mix of individual characteristics, contextual influences, and specific ethical questions or problems.¹ Any effort to grasp and manage the influences on ethical behavior will thus need to recognize that a narrow focus on one or another particular initiative or situational influence might lead to ethical improvements that are marginal at best, or even sometimes, by themselves, counterproductive. For example, empirical research has been clear that, at least by itself, an organizational code of conduct has limited, if any, influence on ethical behavior.² But in the context of an organization whose overall climate is highly ethical, something like a code (or other formal policy interventions) will be more likely to provide value and effectiveness.³

Legal policy toward organizational behavior seems, at a general level, to recognize this complexity. Thus, the Federal Sentencing Guidelines speak generally of promoting “an organizational culture that encourages ethical conduct and a commitment to compliance with the law.”⁴ But in recommending specific practices, the Guidelines (similarly to the Department of Justice’s memorandum on prosecution of organizations, and to the requirements of the Sarbanes-Oxley legislation⁵) focus heavily on “command-and-control”⁶ or “compliance”⁷ activities, emphasizing employee direction through formal policies and training, detection of wrongdoing through monitoring and reporting systems, and discipline and incentive policies to encourage proper behavior⁸—what I will refer to broadly

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1. See, e.g., Jennifer J. Kish-Gephart et al., *Bad Apples, Bad Cases, and Bad Barrels: Meta-Analytic Evidence About Sources of Unethical Decisions at Work*, 95 J. APPLIED PSYCHOL. 1 (2010).

2. E.g., Linda Klebe Treviño, Gary R. Weaver, David G. Gibson & Barbary Ley Toffler, *Managing Ethics and Legal Compliance: What Works and What Hurts*, 41 CAL. MGMT. REV. 131, 149 (1999).

3. See Ann E. Tenbrunsel & Kristin Smith-Crowe, *Ethical Decision Making: Where We’ve Been and Where We’re Going*, 2 ACAD. MGMT. ANNALS 545, 570–71 (2008).

4. U.S. SENTENCING GUIDELINES MANUAL § 8B2.1(a) (2012).

5. See U.S. DEP’T OF JUSTICE, U.S. ATTORNEY’S MANUAL § 9-28.000, available at http://www.justice.gov/usao/eousa/foia_reading_room/usam/title9/28mcrm.htm#9-28.800 [hereinafter U.S.A.M.]; Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, 116 Stat. 745.

6. Tom Tyler et al., *The Ethical Commitment to Compliance: Building Value-Based Cultures*, CAL. MGMT. REV., Winter 2008, at 31.

7. Gary R. Weaver et al., *Corporate Ethics Programs as Control Systems: Influences of Executive Commitment and Environmental Factors*, 42 ACAD. MGMT. J. 41, 42 (1999).

8. See U.S. SENTENCING GUIDELINES MANUAL § 8B2.1 (2012).

as “direction, detection, and discipline.” This focus is somewhat understandable, given the “institutional logic” of the legal system, with its emphases on prevention through detection and punishment.⁹ Also likely relevant to this focus is the related need of businesses, judicial systems, and political actors to demonstrate that they are doing their job by being able to show something concrete to the other social actors on whom their legitimacy depends.¹⁰ Formal policies, monitoring systems, tallies of investigations and penalties issued, and related practices likely are relatively easy to demonstrate in that regard.

There are, however, multiple other factors that influence ethical behavior in organizations and have implications for the effectiveness of conventional initiatives focused on direction, detection, and discipline. In what follows, I review a range of research in the organizational sciences that is relevant to understanding the influences on ethical and unethical behavior in organizations, with particular attention to factors that are relevant to the goal of fostering an ethical organizational culture that can encourage the kind of organizational “commitment to compliance” that will be convincing and worthy of support from an individual employee’s perspective. I focus on three primary topics: (a) the nature and effectiveness of the ethics and compliance initiative itself; (b) the role of organizational leaders (at all levels) in fostering ethical behavior; and (c) the implications of recent moral psychology research highlighting the non-deliberative, non-calculative nature of much moral thought and action.¹¹

I. ETHICS AND COMPLIANCE INITIATIVES

Following an article by Paine¹² and an empirical study by Weaver, Treviño, and Cochran,¹³ it has become common to distinguish organizational ethics and compliance initiatives according to their control orientation.¹⁴ Initiatives with

9. See Roger Friedland & Robert R. Alford, *Bringing Society Back In: Symbols, Practices, and Institutional Contradictions*, in *THE NEW INSTITUTIONALISM IN ORGANIZATIONAL ANALYSIS* 232, 248–53 (Walter W. Powell & Paul J. DiMaggio eds., 1991); Matthew T. Lee & M. David Ermann, *Pinto “Madness” as a Flawed Landmark Narrative: An Organizational and Network Analysis*, 46 *SOC. PROBS.* 30, 39–40 (1999); Vilmos F. Misangyi, Gary R. Weaver & Heather Elms, *Ending Corruption: The Interplay Among Institutional Logics, Resources, and Institutional Entrepreneurs*, 33 *ACAD. MGMT. REV.* 750, 754 (2008).

10. See David L. Deephouse & Mark Suchman, *Legitimacy in Organizational Institutionalism*, in *THE SAGE HANDBOOK OF ORGANIZATIONAL INSTITUTIONALISM* 49, 54–57 (Royston Greenwood et al. eds., 2008); Mark C. Suchman, *Managing Legitimacy: Strategic and Institutional Approaches*, 20 *ACAD. MGMT. REV.* 571, 585–601 (1995); Paul J. DiMaggio & Walter W. Powell, *The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organization Fields*, 48 *AM. SOC. REV.* 147, 150–51 (1983) (explaining the general process of institutionalized legitimacy demands).

11. In the remainder of this work, I use the terms “moral” and “ethical” as synonyms, reflecting generally common practice in the organizational sciences and in moral philosophy.

12. Lynn Sharp Paine, *Managing for Organizational Integrity*, *HARV. BUS. REV.* Mar.–Apr. 1995, at 106.

13. Weaver et al., *supra* note 7, at 41–42.

14. For works examining this idea predating Paine, Weaver, Treviño, and Cochran, see MAX WEBER, *THE THEORY OF SOCIAL AND ECONOMIC ORGANIZATION* 324–28 (Talcott Parsons ed., A.M. Henderson & Talcott Parsons trans., 1947) (defining different types of control); Paul S. Adler & Bryan Borys, *Two Types of Bureaucracy:*

“compliance” orientations strongly incorporate and rely upon “command and control” features.¹⁵ They typically focus on direction, detection and discipline, providing rules that delineate proper and improper actions by employees, and incorporating monitoring and/or reporting systems (including, possibly, anonymous reporting systems or reporting systems operated by independent third parties).¹⁶ Failure to act according to the organization’s ethics and compliance policies also typically is linked (at least in theory) to some kind of disciplinary action against the wayward employee(s).¹⁷ This kind of approach seems rooted in the idea that employees are engaged in a kind of social exchange relationship with their employing organization—a “you do this, we do that” quasi-contractual command-and-control arrangement.¹⁸ This arrangement also could be perceived as a “don’t get caught” imperative.¹⁹

By contrast, a so-called “values” or “aspirational” control orientation relies on social and psychological processes of identification and internalization through which employees recognize organizationally espoused values as congruent with their own aspirations, and internalize the organizationally-specific contextualization of those values as their own.²⁰ Thus action in harmony with those espoused values seems natural, an extension of one’s own identity or of the organization’s identity, along the lines of “do this because it’s part of who we are (or who I am).”²¹ Treviño and Weaver described one organization’s values program as focusing on multiple actions and policies aimed at creating this kind of identifica-

Enabling and Coercive, 41 ADMIN. SCI. Q. 61, 62–65 (1996); W. Richard Scott & John W. Meyer, *The Rise of Training Programs in Firms and Agencies: An Institutional Perspective*, in 13 RESEARCH IN ORGANIZATIONAL BEHAVIOR 297, 310–21 (L.L. Cummings & Barry M. Staw eds., 1991) (examining four theories of corporate training programs).

15. Tyler et al., *supra* note 6, at 31.

16. *Id.*

17. *Id.*

18. See PETER M. BLAU, EXCHANGE AND POWER IN SOCIAL LIFE 88–114 (1964) (examining the “social exchange”); ALVIN W. GOULDNER, PATTERNS OF INDUSTRIAL BUREAUCRACY 207–15 (1954) (examining punishment-centered bureaucracy).

19. See LINDA KLEBE TREVIÑO & GARY R. WEAVER, MANAGING ETHICS IN BUSINESS ORGANIZATIONS: SOCIAL SCIENTIFIC PERSPECTIVES 191–231 (2003) (analyzing the uses and limits of formal, compliance-based ethics programs).

20. Tyler et al., *supra* note 6, at 31.

21. See Karl Aquino & Americus Reed II, *The Self-Importance of Moral Identity*, 83 J. PERSONALITY & SOC. PSYCHOL. 1423, 1424–25 (2002); Augusto Blasi, *Emotions and Moral Motivation*, 29 J. FOR THEORY SOC. BEHAV. 1 (1999) [hereinafter Blasi, *Emotions*]; Augusto Blasi, *Moral Character: A Psychological Approach*, in CHARACTER PSYCHOLOGY AND CHARACTER EDUCATION 67, 78–90 (Daniel K. Lapsley & F. Clark Power eds., 2005) [hereinafter Blasi, *Moral Character*]; Augusto Blasi, *Moral Functioning: Moral Understanding and Personality*, in MORAL DEVELOPMENT, SELF, AND IDENTITY 335, 341–47 (David K. Lapsley & Darcia Narvaez eds., 2004) [hereinafter Blasi, *Moral Functioning*]; Americus Reed II & Karl F. Aquino, *Moral Identity and the Expanding Circle of Moral Regard Towards Out-Groups*, 84 J. PERSONALITY & SOC. PSYCHOL. 1270, 1271–72 (2003); Linda K. Treviño, Gary R. Weaver & Scott J. Reynolds, *Behavioral Ethics in Organizations: A Review*, 32 J. MANAGEMENT 951, 962–963 (2006) (summarizing the role of identity in ethical organizational behavior); Gary R. Weaver & Bradley R. Agle, *Religiosity and Ethical Behavior in Organizations: A Symbolic Interactionist Perspective*, 27 ACAD. MGMT. REV. 77, 82–85 (2002) (examining religious identity as a source of moral identity);

tion.²² This company's program focused on articulating broad categories of ethical values, such as "respect" and "responsibility," as ideals for all employees to aspire to and as goals that would be intentionally modeled by organizational leaders in multiple functional areas (in contrast to designating just one department, such as legal or human resources, as the center of responsibility for the initiative).²³ Moreover, this company paid attention to symbolic aspects of organizational life that would aid or undermine a sense of shared commitment to a specific set of organizational values and goals.²⁴ Thus the fact that the company eliminated separate executive dining facilities was taken as a supporting policy, insofar as it helped convey to all employees that everyone in the organization should be (and, ideally, is) committed to the goal of mutual respect.²⁵

Importantly, values orientations and compliance orientations are not mutually exclusive, up to a point.²⁶ Support for particular broad ethical goals sometimes can require discipline or removal of employees who egregiously violate them (as will be discussed in more detail below).²⁷ In addition, the supportive and aspirational context provided by a values-oriented initiative can help to enhance the effectiveness of the more compliance-oriented aspects of an ethics and compliance program. To see this, we need to look at empirical research on the outcomes of ethics and compliance initiatives.

A. Ethics and Compliance Program Outcomes

One can hope to achieve multiple outcomes from ethics and compliance initiatives. These include obvious and directly relevant ones, such as reduced levels of unethical and/or illegal behavior, as well as other valued organizational outcomes, such as increased employee commitment or greater employee willingness to report ethical or legal problems. Both values- and compliance-oriented aspects of ethics and compliance initiatives generate positive outcomes, but to different degrees, and with some amount of interaction between the two approaches.

1. Outcomes of Values-oriented Approaches

Social identity theory indicates that strongly affirmed values in an organization will help to define role expectations for employees.²⁸ Such role expectations have

Gary R. Weaver, *Virtue in Organizations: Moral Identity as a Foundation for Moral Agency*, 27 *ORG. STUD.* 341 (2006).

22. TREVIÑO & WEAVER, *supra* note 19, at 193.

23. *Id.*

24. *Id.*

25. *Id.*

26. See discussion *infra* Part I.A.

27. See discussion *infra* Parts II.A, II.D.

28. Blake E. Ashforth & Fred Mael, *Social Identity Theory and the Organization*, 14 *ACAD. MGMT. REV.* 20, 22–23 (1989); Henri Tajfel & John Turner, *An Integrative Theory of Intergroup Conflict*, in *THE SOCIAL PSYCHOLOGY OF INTERGROUP RELATIONS* 33, 40–43 (William G. Austin & Stephen Worchel eds., 1979); Henri

