Chapter 31
Corporate Ethics Practices in the Mid-1990s: An Empirical Study of the Fortune 1000

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Various forms of corporate ethics structures and activities have become common in U.S. business organizations over the last 20 years, to the point that previous studies suggested that formal ethics programs were becoming institutionalized in corporate America (Berenbeim 1987, 1992; Center for Business Ethics 1986, 1992; White and Montgomery 1980; Sweeney and Siers 1990). This empirical study of *Fortune* 1000 service and industrial firms returns to that topic for an updated view of corporate ethics practice in the mid-1990s. Specifically, it reports on firms' usage of formal ethics policies or ethics codes, formal ethics structures or offices, formalized activities such as ethics training programs, and on the involvement of key corporate personnel in ethics program activities. Our study is distinguished in part by the degree of specificity with which different aspects of corporate ethics activity are delineated and measured; it provides, in effect, a snapshot of the "state of the art" in formalized corporate ethics function.

Our results show a high degree of corporate adoption of ethics policies, but wide variability in the extent to which these policies are implemented by various supporting structures and managerial activities. In effect, the vast majority of firms have committed to the lower cost, possibly more symbolic side of ethics activity: the

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promulgation of ethics policies and codes. But firms differ substantially in their efforts to see that those policies or codes actually are put into practice by organization members. Despite a flurry of attention to formal ethics codes and policies, many firms at most are relying on pre-existing corporate structures or processes to put these policies into action. Moreover, significant importance still attaches to the informal, harder-to-assess side of ethics in corporate America, including factors such as the norms of corporate cultures and subcultures or executive role modeling (cf. Treviño 1990). But if preexisting corporate structures and informal cultural processes prove insufficient to implement now popular ethics policies, then those policies will have a largely symbolic organizational role.

Our intention in this report is to describe the current state of formal ethics practice; in this context, we offer no additional empirically-based explanations of why contemporary corporate ethics programs take the forms they do. In particular, we do not presume to explain the reasons for ethics programs by appeal to corporate pronouncements. Such reports are subject to various biases, especially, but not exclusively, insofar as some motives for ethics management (a) may be more ethically acceptable than others, (b) may be subject to multiple interpretations by different persons in the same organization, and (c) may reflect externally imposed imperatives for executives to use particular symbols and structures to maintain certain appearances (Pfeffer 1981). Executive reports of corporate goals are important data points for various purposes, but – at least for understanding the origins of corporate ethics activity – should be considered in conjunction with other influences on organizational activity using more complex analytical techniques (cf. Beneish and Chatov 1993; Weaver et al. 1995). Similarly, we do not report here any assessments of ethics program effectiveness.

Method and Measures

Data Collection Method

The population studied consists of the Fortune 500 industrials and 500 service corporations, as listed in 1994. (Except for the year, this is the same database used in the Center for Business Ethics studies published in 1986 and 1992.) These firms are likely to be sufficiently large to enable them to develop corporate ethics offices, and are representative of the diversity of larger U.S. business firms. In particular, they are subject to varying internal and external pressures (e.g., from government, industry associations, boards of directors, labor, etc.) which might encourage various forms of ethics activity.

In order to see that our confidential questionnaire on current ethics practices went to an informed respondent, we initially contacted the public affairs or corporate communications office of each firm by telephone in mid-1994, asking for the name and address of the "officer most responsible for dealing with ethics and conduct issues in the firm." Public affairs/corporate communications offices were identified in the 1994 *National Directory of Corporate Public Affairs* (Close et al. 1994); for firms not listed in the directory, a call was made to the human resources department. This preliminary research produced a 990-firm mailing list. Missing firms either refused to identify an ethics-knowledgeable officer, or were holding companies owning essentially independent subsidiaries.

The survey instrument queried a range of formal corporate ethics policies, structures, activities, and personnel. The content of the survey was determined in light of preliminary on-site interviews with ethics-responsible persons at several service and industrial firms. Initial and follow-up questionnaires were distributed by mail to all 990 firms during late 1994. Two hundred and fifty-four returns were received during late 1994 and early 1995, for a 26% response rate. We believe this is a good response rate given the length of the survey and the fact that most contacts were high level officers (vice presidents or higher). The response rate compares well with other surveys of corporate executives (e.g., Hambrick et al. 1993).

Potential Response Biases

Statistical analyses (t-tests) revealed no significant difference in reporting rates between the service and industrial firms. It is possible, however, that firms in particular circumstances would not respond to a questionnaire of this nature; for example, firms under financial duress might be less able or willing to devote an officer's time to providing answers. Non-response bias was tested by comparing the responding firms to a randomly selected and roughly equal number of non-responding firms on four measures: size measured in number of employees; size measured as gross revenues; size measured as total assets; and net profit. Responding and non-responding firms were compared as a whole, and as divided into responding/non-responding services and responding/non-responding industrials. No significant differences were discovered, except in the case of number of employees for combined lists of service and industrial firms. In that case, responding firms were larger (mean number of employees for responding firms = 25,865; for non-respondents, 17,637; $t = -2.33$, $p < 0.05$). This is not surprising. Larger firms may be more likely to confront the organizational and environmental complexities which provide an impetus for formal ethics practices, and also will have the economies of scale which can make formalized practices affordable (as opposed to informal efforts to deal with ethical issues within the firm). Such firms, then, should have less motive to casually discard the questionnaire on the grounds that "this doesn't pertain to us," and also may be more likely to have officers who feel competent and interested enough to respond on behalf of the firm.

Business ethics research routinely confronts questions of social desirability biases in data collection (Fernandes and Randall 1992; Randall and Fernandes 1991). Standard methods of assessing and compensating for such biases exist regarding measures of individual behavior, but not for the kind of organization-level structural reporting used in this study. However, many of the questions in the study were focused simply on the existence of various types of corporate structures, programs, and policies, and thus do not lend themselves to as much interpretive license as do questions concerning personal behavior. The relatively objective character of most survey questions, plus the fact that companies were asked only to report on formal policies and programs, and not on ethical problems, should reduce social desirability bias.

Formal Corporate Ethics Practices, 1995

Our study examined the following aspects of formalized corporate ethics activity: ethics-oriented policy statements; formalized management responsibilities for ethics; free-standing ethics offices; ethics and compliance telephone reporting/advice systems; CEO involvement in ethics activities; training, communication, and education programs; investigatory functions; and evaluation of the ethics program activities. (Totals for specific results may not equal 100% due to rounding of fractional percentages.)

Ethics Policy Statements

Our study examined a number of factors related to ethics codes and policy statements, including their usage, age, rate of revision, degree of dissemination, and employee acknowledgement of the policy.

Codes and Other Policy Statements

A number of academic and practitioner writings on corporate ethics practice have focused on the usage and content of codes of ethics or conduct (Mathews 1988; Chatov 1980; Cressey and Moore 1983; White and Montgomery 1980; Weaver 1993). However, it is possible that many firms address ethical issues in the context of regular employee policy manuals, etc., instead of, or in addition to, separate codes of conduct (Center for Business Ethics 1992). Just because a firm does not have a distinct code of ethics should be no reason to assume that it has given no attention to ethical concerns in its formal policies. Consequently, we asked each firm whether or not it "addresses business ethics and business conduct issues in formal documents" of any kind. For those firms that claimed to address ethics or conduct issues formally, we then asked whether this was done in the context of "regular company policy and procedure manuals," a "separate code of ethics/code of conduct," or "in other ways." Ninety-eight percent of firms claimed to address ethics and conduct issues in some kind of formal document. Of those 98%, 67% did so through regular policy manuals, and 78% did so through separate codes of ethics, indicating that the majority of organizations take a multi-pronged approach to setting forth their standards of appropriate conduct. Twenty-two percent noted the

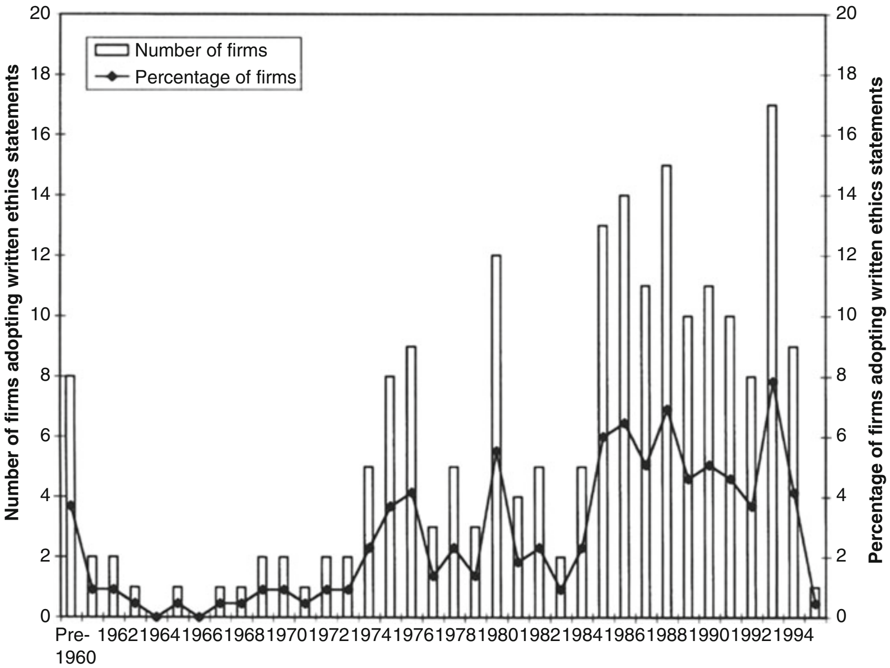

Fig. 31.1 Ethics standards adoptions by year ($n=217$; 1995 January/February only)

use of other means of specifying company ethics policies, including (for example) occasional letters, bulletins and memoranda, video documents, posters, mission statements, and top executive speeches.

Age of Ethics Codes/Standards

Figure 31.1 indicates the number and percentage of firms adopting a formally specified ethics code or standard in a given year. Dividing the data set into quintiles helps reveal variations in the intensity of code adoption activity. The first quintile of code adoptions occurs up to and including 1975; followed by the periods 1976–1983, 1984–1987, 1988–1990, and 1991–1995. Overall, this indicates the relative recency of formally identified ethics codes or policies; most have been introduced in roughly the last 20 years. That certain years (1980, 1993) stand out from their neighbors suggests triggering events in the business environment immediately prior to those years (allowing time for the dissemination of the influence of such events, or for the workings of organizational decision processes). For example, implementation of the United States Sentencing Commission guidelines in 1991 may account for the higher level of ethics code introduction noted for 1993 and 1994.

Policy Revision as an Indication of Ethics Importance

Company ethics policies may be actively attended to or else ignored or marginalized in everyday company affairs. One possible indication of active attention to an ethics code or policy statement is the degree to which it is routinely revised. Consequently, we asked each firm to indicate the number of code revisions which occurred during the previous 10 years. We do not report results for firms that introduced their code in the period 1993–1995. It would be unrealistic for firms which so recently adopted a code to engage in substantial revisions of it, and inclusion of data from such firms would risk biasing results downward. Of the 185 firms which had ethics policies or codes prior to 1993, 19% reported no revisions during the 1985–1994 period; 18% one revision; 20% two revisions; 19% three revisions; 7% four; 7% five; 5% six to nine revisions, and 5% ten or more revisions. More simply: 17% of firms revise their code or policy at least every other year, 37% have revised it at most once, and the remainder fall between those extremes.

Ethics Policy Dissemination

Company ethics policies presumably are ineffective unless distributed to employees. We asked each firm to report the percentage of different classes of employees who received a copy of the company ethics code or policy. The vast majority of firms distribute ethics policies to 80% or more of their (i) high level executives (100% of firms), (ii) middle managers and professionals (98% of firms), and (iii) lower level management/supervisory staff (87% of firms). Code or policy distribution is less widespread but still common among nonsupervisory employees (clerks, hourly workers, etc.); 75% of firms report distributing their code or policy to at least 80% of employees in this category. Some respondents indicated that this lower rate of distribution reflected the constraints of contractual job specifications with labor unions.

Acknowledgment of Receipt and Obedience

Merely distributing a code or policy, however, does not guarantee that anyone reads it or abides by it. Therefore, we also asked whether a firm requires employees to (a) acknowledge receipt of the company policy or code, and (b) acknowledge compliance with it. Roughly 90% of firms provided easily coded answers to these questions. (Other firms provided complex answers which specified different requirements for different ranks or particular categories of ethics and compliance issues (e.g., insider trading).) These results show that nearly all firms (90%) require acknowledgment of receipt of the ethics policy or code at least once in an employee's career. Only 45%, however, require such acknowledgment on an at-least-annual basis (Fig. 31.2). Results are similar for acknowledging compliance with the policy or code; 85% require this at least once in an employee's career, while 51% require it on an at-least-annual basis. In summary, although roughly half of firms require

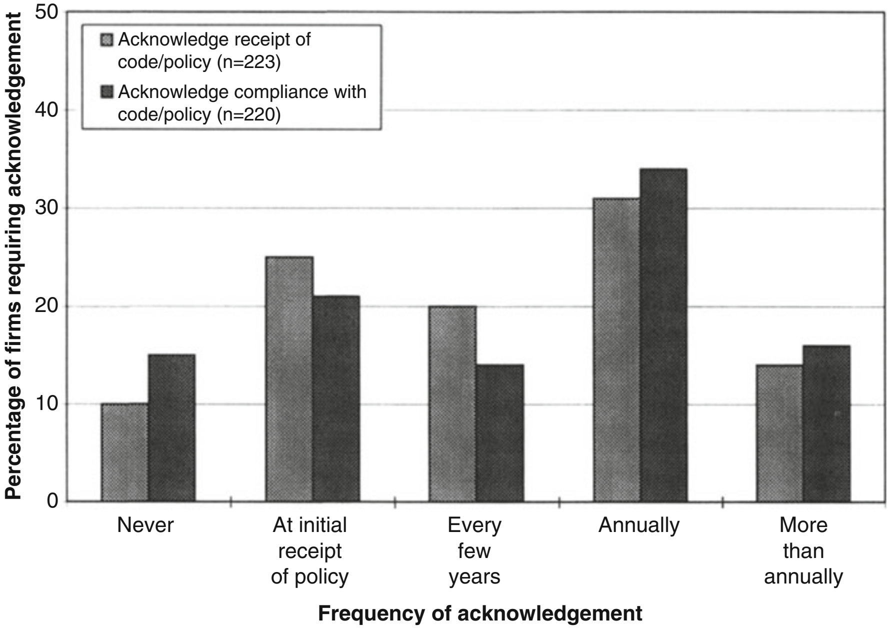

Fig. 31.2 Employee acknowledgement of ethics code or policy

employees repeatedly to acknowledge or recommit to the firm's ethics policies, nearly similar proportions of firms make no such effort, risking a situation in which codes are noted once and then forgotten.

Ethics Personnel and Offices

Ethics Personnel

Delineation of corporate ethics policies can be achieved through regular policy manuals or separate codes of ethics, and managerial responsibilities for implementing or supporting ethics policies similarly can be diffused among a collection of officers or focused on one single officer. Assignment of responsibility for ethics program activities to a single individual may look like it offers a higher degree of firm commitment to ethics, but that need not be the case, as such individuals actually may devote only a small portion of their time to ethics-related tasks, even when their titles include the terms "ethics" or "compliance."

Fifty-four percent of firms reported having a single officer specifically assigned to deal with ethics and conduct issues, in keeping with the United States Sentencing Commission's recommendations for an effective ethics program. But firms with a single officer assigned responsibility for ethics indicated a wide disparity in the proportion of time that person devotes to ethics activities, ranging from as little as 1% (10% of respondents) to as much as 100% (13% of respondents). Of the firms reporting a single officer responsible for ethics, 54% indicated that this officer spends not more than 10% of his or her time in ethics-related activities. At the other extreme, 14% reported 91–100% of the officer's time spent in ethics-related functions. Formally assigning ethics to someone does not in itself guarantee that ethics-related issues garner much executive attention.

Ninety-eight percent of firms reported the titles of their ethics-responsible officers, thereby giving a clue as to where ethics responsibilities are lodged functionally within firms. Most prominent are legal departments (33% of firms) and ethics/compliance offices (32%), followed by audit (10%), human resources (9%), and high-level general administration (10%, spread among corporate secretary, chief financial officer, chief operating officer, or chief executive officer).

Firms also may divide some responsibilities for ethics and conduct issues among multiple officers. This practice may be in lieu of assigning responsibility to a single officer, or may reflect a secondary assignment of supporting roles to persons other than the primary ethics officer. Sixty-nine percent of firms report that they spread ethics- related responsibilities among different officers ($n=247$), with the large majority sharing responsibilities among four or fewer different positions (90%).

Ethics Offices/Departments

Thirty percent of firms report that they have specific departments or offices created specifically to deal with ethics and conduct issues (e.g., corporate ethics office, corporate compliance office, etc.). Creation of these offices is a recent phenomenon, however, with 63% having been created in the 1990s (Fig. 31.3). Interestingly, comparisons of the year of office creation with the year of code adoption shows that 25% of ethics offices have been created in the same year that an ethics code is adopted, and 15% actually were created *prior* to the adoption of a formal code of ethics.

Ethics Office Staff

Most (55%) ethics offices have at most one full-time non-clerical employee (and in some cases, no non-clerical employees who devote all of their time to the office). The suggests that the majority of ethics offices serve in largely coordinating or supporting roles. Thirty-one percent of ethics offices have two to five non-clerical staff, 6% six through ten staff, and 8% more than ten staff. In most cases, the person in charge of the ethics office reports to a very high level of administration, however, with 72% of ethics office heads reporting to persons at the level of executive vice president or higher (including 18% who report directly to the CEO).

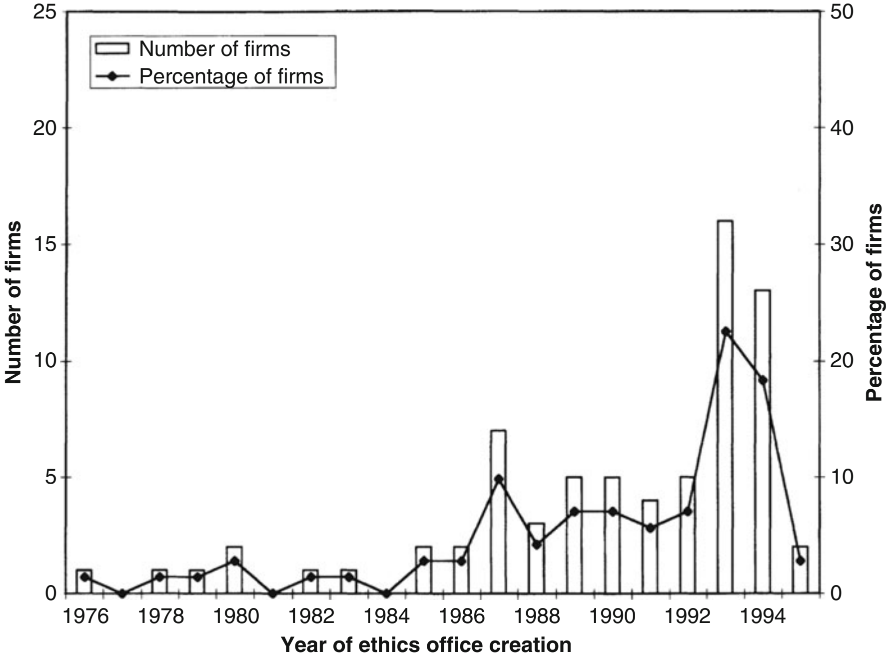

Fig. 31.3 Ethics office creation by year (1995 data for January/February only)

Corporate-Level Ethics Evaluations

Firms may use various means to evaluate the achievements or failures of their ethics-oriented activities, structures and personnel. Willingness to resort to external evaluation may indicate that the ethics program is not a purely symbolic, decoupled feature of the organization. We asked firms to respond to three questions regarding corporate-level external ethics evaluations. Each question was answered on a 1–5 Likert-type scale, with 1 anchored as "never" and 5 as "very frequently." Twenty-three percent of firms selected 4 or 5 on the scale when asked how often the firm "compares its ethical performance with that of other companies," 22% answered "never" (1) to this question (mean: 2.6; standard deviation: 1.2). Ten percent answered 4 or 5 when asked whether they "survey external stake-holders (e.g., customers, suppliers) regarding the firm's ethics and values," 46% answered "never" (1) (mean: 1.9; standard deviation: 1.1). Ten percent answered 4 or 5 when asked whether external parties are used "to help evaluate [the] ethics program"; 51% answered "never" (1) (mean: 1.9; standard deviation: 1.1). In summary, although some firms are quite active in externally assessing their corporate ethical performance and programs, roughly equal to much greater numbers of firms do not resort to external evaluations.

Standardized Procedures for Dealing with Ethics-Related Problems

The introduction of an ethics program not only can impose behavioral expectations on employees, but can also raise the expectations employees have of their employing organization. Companies that preach ethics, in short, may expect to be held to higher ethical standards. In part, this can involve seeing that standards of procedural propriety or justice are upheld in the administration of company ethics policies. In most U.S. settings, this will call for clearly identified routines and procedures for dealing with any complaints or allegations brought against employees under the ethics policies of the firm. Although employees may dispute the fairness of particular procedures, having some kind of procedure established for confronting ethical problems is a minimal requirement of procedural justice. Consequently, we asked companies to respond to the statement: "The firm has standardized procedures for following up on allegations of ethics violations." Respondents answered on a 1–5 Likert-type scale, anchored "strongly disagree" (1) and "strongly agree" (5). The mean answer was 3.9 (standard deviation: 1.2). Seventy percent of respondents answered by selecting 4 or 5 on the scale, indicating agreement that the firm had standardized procedures in place for dealing with ethics allegations. Six percent selected 1 on the scale, indicating strong disagreement with any suggestion that the firm had standardized procedures in place for ethics problems.

Telephone Reporting and Advice Systems

Fifty-one percent of firms have adopted some kind of telephone-based system whereby ethics and compliance complaints and queries can be raised by employees. Thirty-four percent of these telephone lines are answered in an ethics or compliance office, with legal departments and audit departments also playing a major role as the focal point of calls (19% and 18%, respectively). Other departments and external parties less commonly answered the telephone line (human resources, 8% of firms; security, 4%; external consultants, 9%; and miscellaneous other functions or combined functions, 8%).

Twenty-five percent of firms reported that their ethics telephone line receives no more than one call per month per 10,000 employees. Forty-six percent reported 2–9, 12% 10–19, and 18% 20 or more calls per month per 10,000 employees. One potential factor driving such variations in call rates is the perceived role of the ethics program and related activities and structures. Some ethics programs may be oriented toward controlling or regulating employee behavior in order to comply, for example, with legal requirements. Other programs may contain emphases on encouraging employees to embody particular values is their own decision making, or toward offering help and assistance to employees grappling with one or another ethical complexity in business (Weaver et al. 1996; Paine 1994). Some firms may pursue both tasks to varying degrees. To the extent that the ethics program and associated telephone line are perceived as fulfilling a regulating or policing role, employees may be dissuaded from using it either to aid themselves or to correct or guide coworkers.

With the foregoing distinction in mind, we examined the names of companies' ethics-related telephone lines. Ninety-seven of the 129 firms having a telephone line for ethics issues provided the line's name. We analyzed these names in terms of several categories. Fifty-seven percent of these telephone lines are labeled at least in part by use of the term "hotline," conveying some sense of reactive response to a problem. Of that group, 18% strongly suggested regulation or control of behavior (e.g., "compliance hotline"), 29% were simply labeled "ethics hotline," 47% were simply described as "hotlines," and 5% had other, idiosyncratic names using the term "hotline." Of the 43% of telephone lines not labeled "hotline," the largest group (45%) were labeled in terms of values, aspirations or counseling (most typically as "helpline"). Twelve percent of the non-"hotline" group, however, invoked strong senses of control and regulation. The remainder of the non-"hotline" group were not easily categorized (e.g., "the XYZ Corporation line"). If we consider all telephone names using the term "hotline," plus all those suggesting compliance, to convey a sense of reaction and control, and the other easily categorized names as conveying a sense of value-commitment and ethical aspirations, the set of 97 telephone line names break down as follows: 62% reaction and control oriented; 20% aspirations and values oriented; 19% neutral or otherwise not easily categorized.

Top Management Involvement in Corporate Ethics

Much writing on corporate ethics practice has suggested the importance of top management involvement in and commitment to ethics program effectiveness. Consequently, we were interested in seeing just how active chief executives are in corporate ethics activities. Most of our respondents were in reasonably close proximity to their CEOs. Eight percent had offices adjacent to the CEO's; 38% were not adjacent, but on the same floor; 39% were on a different floor of the same building; and the remainder were located in a different building at the same site (7%) or at a different site (8%). Insofar as the respondents were identified as the "officer most knowledgeable about ethics and conduct issues in the firm," this suggests a strong potential for a CEO to be actively informed of and involved in corporate ethics activities.

However, when we asked what CEOs actually were doing in regard to ethics issues, responses did not suggest a high level of activity or visible forms of concern. Specifically, we asked (1) how frequently a CEO communicated directly with the respondent about ethical issues, policies or programs; (2) the number of meetings attended by the CEO annually which have ethical issues, policies or programs as their primary focus; (3) the frequency with which the CEO sends out company-wide communications about business ethics and conduct; and (4) the number of live or taped ethics-oriented messages the CEO delivered in the last year to employee groups.

The largest number of CEOs communicated with respondents about ethics-related issues one to two times per year (46%). Twenty percent of CEO's engaged in no ethics-related communication with respondents. Twenty-one percent discussed ethics three to six times per year, and 13% seven or more times per year.

The largest number of CEOs attended no meetings which had ethics as their primary focus (32%). Thirty percent attended one meeting per year with ethics as a primary focus. Twenty-three percent attended two or three such meetings annually, and 15% four or more meetings annually.

When asked how often their CEO sends out company-wide written communications on ethics, 11% of respondents replied that their CEO never does such. Thirty-eight percent indicated such communications were delivered on an "every few years basis"; 46% said annually; and 5% indicated more than annually. Live or taped messages to employees were used less frequently. Sixty-two percent of firms reported that their CEO never provides live or taped messages on ethics to employees. The remainder indicated that the CEO provided live or taped ethics messages to employee groups at least annually.

Summarizing this CEO activity, we observe that the greatest proportion of CEOs discussed ethics-related issues with our ethics-responsible respondents once or twice a year (46%), attended no meetings with ethics as a primary focus (32%), sent out company-wide communications about business ethics and conduct annually (46%), and provided no live or taped messages about ethics to employees (62%). Although an annual formal message from the CEO may seem, at first glance, to constitute a respectable level of CEO commitment, we tend to disagree. Given the number of different messages organization members receive, and given that pro forma communiqués may be taken considerably less seriously than other forms of communication, our results suggest that from the standpoint of most employees, many CEOs convey minimal official commitment to corporate ethics programs. Of course, our data indicate many exceptions to these modal descriptions as well. But the data do suggest that for many firms, CEO attitudes toward ethics program activities likely are unclear in the eyes of employees. If so, employees of necessity will form their opinions of a CEO's ethics commitment largely from information provided by their immediate supervisors and/or company rumor "grapevines." Whether or not these sources accurately portray the CEO's stance on ethics, and provide support for any formal ethics program, is an open question.

Communication, Training, and Investigation

Not only do CEOs typically send out no more than one formal message annually to employees about ethics, employees generally do not receive more than one such message annually, regardless of its source (not counting the ethics code or policy itself). We asked how frequently different classes of employees received communications – other than the code or policy – which reminded them about ethics and conduct issues. Results are summarized in Fig. 31.4, but note that regardless of

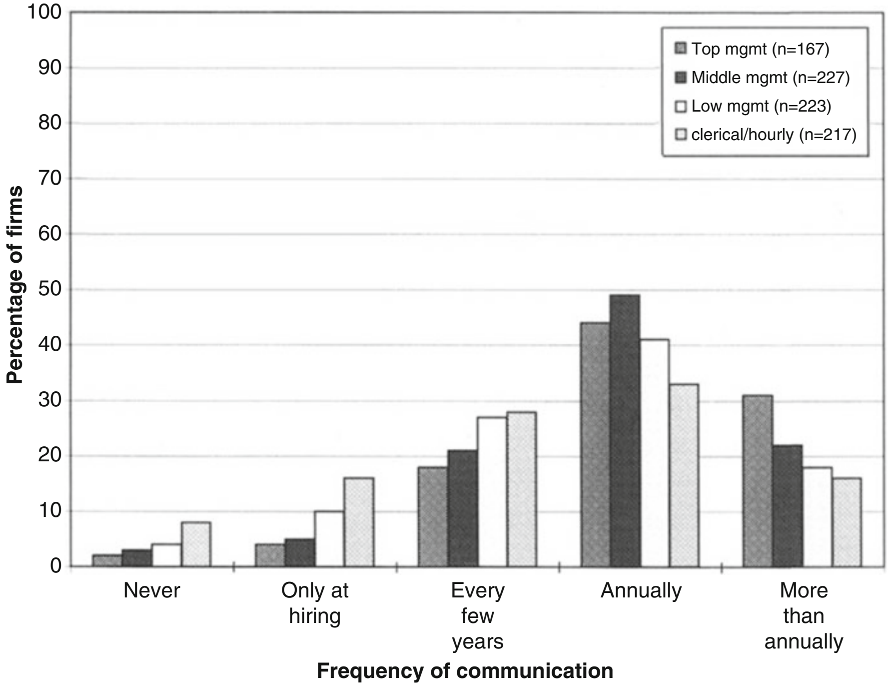

Fig. 31.4 Frequency of ethics communications received by employees

organizational rank, never more than a third of employees received any message about ethics more than once a year (percent receiving more than annual messages: high-level management – 31%; middle management – 22%; low-level management/supervisors – 18%; non-supervisory employees – 16%). If the target of communication is a reliable guide, the data presented in Fig. 31.4 also suggest that firms see higher-level managers as more responsible for implementing company ethical standards (or perhaps as more in need of reminders, because of their greater decision-making authority in most firms).

Depending upon employee rank, fully one-fifth to one-third of employees receive no ethics training or education of any sort (Fig. 31.5). In many firms, ethics and conduct issues appear relegated to the domain of formal documents and occasional written reminders, plus whatever messages (good or bad) are conveyed informally through the "grapevine" or as part of the company's culture(s). Similarly, only one-fifth to one-fourth of employees receive any ethics education or training on an at-least-annual basis. For the largest group of employees, ethics training and education is occasional, occurring "every few years."

On average, ethics training itself is most prominently the responsibility of ethics officers, human resources staff, and legal counsel. Respondents were asked to rate the involvement level of various corporate functions in ethics-training activities on a 1–5 scale (from "not at all involved" to "very involved"); only those three functions averaged above the midpoint of the scale (ethics office: mean 3.1, s.d. 1.8; human

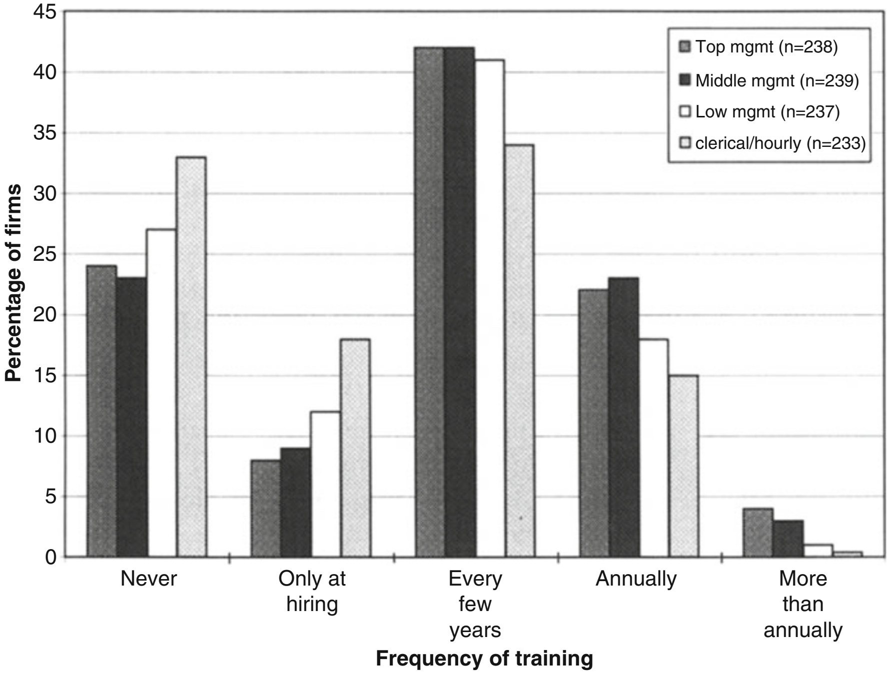

Fig. 31.5 Ethics training for employees by rank

resources: mean 3.4, s.d. 1.4; legal department: mean 3.4, s.d. 1.5). When the issue was changed to "who investigates alleged ethical violations," the audit and control function joined those rating above the midpoint of the scale (ethics office: mean 3.6, s.d. 1.8; human resources: mean 3.9, s.d. 1.1; legal: mean 4.3, s.d. 1.0; audit/control: mean 4.0, s.d. 1.2).

Conclusion

The findings discussed above suggest that major American corporations generally have adopted one or another form of ethics-oriented company policies, but vary substantially in the extent to which those policies are supported by ethics-specific structures, personnel, and activities. The attention devoted by business news media and practitioner associations to extensively developed ethics programs may convey a sense that such programs are common. Our results suggest instead that such programs are considerably less common; it may be a more limited set of high-profile ethics programs which is given repeated attention by observers of corporate ethics initiatives.

Some organizations have developed various ways to support their ethics policies, whether through training, communication, or other means. Without wishing to denigrate the work that is done in the context of formal ethics programs, however, one must admit that on their present scale in many firms, ethics programs and policies risk being swamped by other, often more persistent influences on organization members. These other influences may be part of the formal organization (such as compensation policies), or reflect the informal side of the organization (such as supervisor role-modeling or elements of organizational cultures and subcultures). At least in their current form, we should assume that corporate ethics programs are not self-sufficient; they depend heavily for their success on support from other organizational systems and informal norms and practices. In the long run, the implementation of ethics policies by persons not directly involved in ethics program activities will be crucial for encouraging good corporate behavior. For example, what department heads say during performance appraisals can be as important as any ethics officer's comments during a training session. This indicates the value of additional inquiry into the relationship of ethics programs and policies to other aspects of organizational life, and into the reasons why some firms develop extensive ethics programs while others do not.

For managers and policy makers, these results indicate that giving attention to formalized ethics programs alone may be ineffective at fostering corporate ethics. If the organizations that participated in this study are representative, we may surmise that there is a limited amount of organizational attention and resources that can be focused on formal ethics program activities and structures. As a result, there is only so much one can expect from an ethics program alone in a large organization, and to place all expectations and responsibilities for ethics on such a program may be asking for more than it can deliver. Thus, in addition to asking how an ethics program can be used to encourage good corporate behavior, managers and policy makers should consider how the rest of the organization's activities and structures contribute to or detract from that program specifically, and good behavior generally.

Much talk in the current business and legal environment, such as the work of the United States Sentencing Commission, encourages the growth of formal ethics programs (Kaplan et al. 1993; Dalton et al. 1994). Formalized ethics programs may now be the societally taken-for-granted method for fostering corporate ethics, but just because they are taken for granted is no guarantee that they alone are adequate to the task. Nor does it mean they are the only or necessary means for completing the task; one should not assume that firms reporting little in the way of formal ethics program activity thereby are unethical firms. But the common focus on formal ethics programs can distract attention from other organizational processes that are central to fostering good business ethics. There is, in the end, only a certain amount that can be accomplished by formal activity, and there are countless other messages organization members receive. Therefore, any effort to assess what corporations are doing to encourage good ethics ultimately must look at the rest of the organization, in both its formal and informal aspects.

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