



# Influence of Formal Ethics Program Components on Managerial Ethical Behavior

Anna Remišová<sup>1</sup> · Anna Lašáková<sup>1</sup> · Zuzana Kirchmayer<sup>1</sup>

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## Abstract

The article deals with the influence of organizational ethics program (EP) components on managerial ethical behavior. The main aim was to establish which EP components are perceived as valuable and useful to foster the ethical behavior of managers. Moreover, we also aimed to investigate the role of ethics training in this context and to explore whether it can potentially increase managers' trust in EP components as effective tools for the promotion of ethical behavior. The article advances the EP theory in several ways. It offers novel insights into both business ethics and EP development in the specific cultural and social circumstances of a former socialist country in the Central and Eastern European region, Slovakia. It shows that codes of ethics and related reporting and control mechanisms are perceived as the most effective EP components to shape managerial ethical behavior. Furthermore, based on empirical evidence, and to some extent contrary to prior theory, the article unveils three EP functions, namely the 'compliance with group norms,' the 'ethics education through collective discussion,' and the 'counselling and resolving of ethical issues' at workplace. In addition, the article shows that ethics trainings can help to boost the trust of managers toward EP components and might be conceptualized as a precursor for an effectively functioning EP.

**Keywords** Code of ethics · Compliance · Ethics program · Ethics training · Slovakia

## Abbreviations

CEE Central and Eastern Europe  
EP Ethics program  
HRM Human resource management

## Introduction

The ethical behavior of managers is formed and influenced by many factors. At the organizational level, ethics programs (EPs) play a significant role in this respect (Kaptein 2010; Majluf and Navarrete 2011; Schwartz 2013). This article aims to reveal how particular EP components influence managers' ethical behavior. At the same time, we aim to extend the existing theory on EP to the new and, somewhat, unique

context of Slovakia, since the extant literature provides only limited evidence on the business ethics development and related transformational processes in the former socialist countries of the CEE region. Since prominent foreign studies on EP and ethical organizational culture (e.g., Beeri et al. 2013; Kaptein 2009, 2015; Verbos et al. 2007; Weaver et al. 1999; Weber and Fortun 2005) are inspirational for the Slovak business environment, we wanted to examine their adequacy in the specific Slovak conditions.

The article aims to expand the theory and related research on EPs in several ways. First, our context-specific analysis offers insights into the development of business ethics and subsequently of EPs in the specific cultural and social circumstances of one of the CEE countries, namely Slovakia. We clarify the societal conditions in which this transformation took place, and we put forth the specifics of the Slovak case, which are relevant for the framing of our research results. We argue that the EP is quite a new element in Slovak organizations. Its effectiveness might be limited by the fact that the development of business ethics in theory and practice lacks systematic legislative and governmental support in Slovakia, as the key role in business ethics development in Slovakia belongs to businesses and other, mainly nonprofit organizations.

✉ Anna Lašáková  
anna.lasakova@fm.uniba.sk

Anna Remišová  
anna.remisova@fm.uniba.sk

Zuzana Kirchmayer  
zuzana.kirchmayer@fm.uniba.sk

<sup>1</sup> Faculty of Management, Comenius University in Bratislava,  
Odbojárov 10, 820 05 Bratislava 25, Slovakia

Second, as the managerial commitment to ethics seems to be an influential predictor of the EP's overall success (Trevino et al. 2003, 2008; Weaver and Trevino 1999b; Weaver et al. 2005), in this study we focus specifically on managers and their perception of particular EP components. More precisely, our main research objective is to detect elements of EP that are perceived by managers as being the most influential for fostering managerial ethical behavior and, vice versa, to find out which of the EP components are thought to have a lesser impact in this respect. In other words, we aim to explore which EP components are perceived as valuable and useful for forming managerial ethical behavior. For this purpose, we examine a wide array of EP components and test our hypotheses on a large sample of several hundred management professionals.

Third, there is no agreement among academics over the functions of an EP (Kaptein 2015; Ulrich et al. 1996; Weaver and Trevino 1999a) and, in addition, the functions are derived mostly based on a theoretical analysis. Our study deals with this issue at a strictly empirical level of analysis. It aims to find out which EP functions should be carefully considered when designing an effective EP and, furthermore, whether the two generally accepted EP functions of values alignment and behavioral compliance (Weaver and Trevino 1999a) have empirical support in the Slovak environment.

Finally, in this study we also examine the hypothesized added value of the ethics training in respect to managerial acceptance of the EP components. Many authors have illustrated the significance of ethics education in companies. For instance, Weber (2015) notes that employee ethics training programs 'are now institutionalized as a method to foster ethical organizational performance ... these programs emphasize enhancing key employee decision-making skills, include most managers in the organization, and incorporate many proven training techniques' (p. 39). Correspondingly, Verbos et al. (2007) argued that employee trainings help substantially to support and sustain a living code of ethics and the creation of an ethical climate. In this context, Jones (2009) notes that even a short training program can improve a person's moral judgment. Our study goes a step further in the amplification of the positive effects of ethics trainings and posits a research question related specifically to the role of ethics training in respect to EP components: Do ethics trainings help to raise managers' trust toward other formal components of an EP?

### Some Specifics of Business Ethics and EPs Development in Slovakia

In the context of our research, it is particularly important to point out that the theory and practice from the USA helped raise awareness among Slovak academics about the various

mechanisms of business ethics. However, it is clear that the US experience cannot be mechanically applied in Eastern Europe. Various factors, for instance the relationship between culture and the effectiveness of ethics management (Weaver 2001), hinder such attempts. The former socialist countries in Europe have undergone major economic and political changes in the last 25 years. Because of a certain gap in the literature regarding the evolution of business ethics, we consider it methodologically beneficial to clarify the economic and social background of our study on EPs.

The first linkages between both Slovak business practice and academia with business ethics were formed in the mid-1990s, a few years after the centrally planned economies of CEE countries transformed to market economies, and their legal and political systems embarked on the path to democracy and a free market economy. It was widely assumed that new legislative framework would be sufficient to establish a market economy. Therefore, the approximation of the legal system to those of developed democratic countries became a top priority. On the other hand, the new economic system was being formed in the settings where most businesses, as well as the state administration, were unaware of the principles of the free market economy.

The economic transformation in Slovakia took place without anchoring new economic subjects in social responsibility for privatized assets, restituted property, employees or for the society as a whole. Both new businesses as well as state authorities showed little interest in ethical guidelines, so it stayed marginalized. The situation was also similar in other CEE countries. In 1997, Bohatá, one of the first Czech experts in business ethics, wrote in her article that 'at present, there are no governmental initiatives in CEE to tackle problems in the field of business ethics' (Bohatá 1997, p. 1575). The implementation of business ethics was mostly associated, or sometimes confused, with the adoption of a code of ethics. The term 'ethics program' was used arbitrarily and was not at that time associated with a systematic or long-term development of business ethics in organizations.

The end of the 1990s brought a change in attitudes to regulation of business activities in Slovakia. Some businesses with a strong drive for long-term economic success realized that their economic strategy could not be successfully applied in an unethical business environment; besides suitable legislative and political structures, an ethical framework was needed for the fulfillment of their objectives. As the country was lacking such a framework, private companies took the initiative and started to develop business ethics.

To conclude, we believe that the development of business ethics in Slovakia was determined by the fact that:

1. The initial development of business ethics in both theory and practice in Slovakia took place in a period of a demanding economic and social transformation.

2. From the beginning, business ethics development has lacked a systematic legislative and governmental support.
3. The key role in the development of business ethics has been developed by business organizations and other, mainly nonprofit organizations.

Currently, the lack of long-term systematic state and legislative support for implementing business ethics in business practice remains a weak point in Slovakia. However, there is no denying that the Slovak government and parliament have taken a number of positive measures in order to combat illegal and antisocial practices in business, such as within the development of the law on reporting antisocial activities ('The whistle-blowing Act'), or the fight against tax evasion and corruption. Furthermore, the European Union, of which Slovakia is a member, also strongly supports ethics, particularly in the area of corporate social responsibility. However, the country still lacks legislation similar to the *United States Federal Sentencing Guidelines* for organizations, or other documents, for instance the *Guidelines Manual* (United States Sentencing Commission 2015), that have a real impact on application of ethics into business. In the cultural environment of European Union, it is generally expected that the principles of freedom and equality would become the basis for the regulation of corporate behavior. However, in the post-socialist societies in the European Union, this ideal is being adopted very slowly. Many companies fail to promote ethics in the form of an EP, i.e., as an interconnected complex of measures to ensure long-term development of an ethical work environment.

### Different Approaches to the Study of EP

We emphasize that the EP is not only an *ethics* program, but also an *ethics program*. As a 'program,' it is deliberately formed in accordance with the core values of the organization and is in line with the organization's formal structures and policies as well as with the priorities and expectations of the management staff. As an intricately structured social phenomenon, it responds to ethical problems that the organizational members face. We define the EP as *an integrated system of logically interconnected values and related norms as mandatory ethical standards, processes and institutions which the organization accepts for a long-term and continuous development of ethics in and outside the organization*. The EP only works when the standards, activities, procedures, and mechanisms are rationally and meaningfully mutually interconnected. We believe the current academic discourse on EP focuses mainly on three issues: (1) the composition and structure of EP, (2) the functions of EP, and (3) the relevance of EP.

### The Composition and Structure of EP

Brenner (1992) states that EP is 'made up of values, policies and activities which impact the propriety of organizational behaviors' (p. 393). He delineates two aspects of EP. The *explicit* (structural and formal) dimension entails more or less tangible evidence of relatedness of an organization to ideas of business ethics such as codes of ethics, policy manuals, and employee training materials, seminars, or internal control systems. The *implicit* (behavioral and informal) dimension of EP relates to 'behind-the-scenes' elements like corporate culture, valued behaviors, patterns of management behavior, styles of leadership, or employee promotion reasons. Brenner's thoughts inspired many scholars. For instance, Majluf and Navarrete (2011) define EP as 'the way companies make explicit their guidelines for ethical behavior in terms of basic principles and values, strategies, and company policies, as well as in terms of well-defined norms and rules' (p. 568). Furthermore, these authors point out that both explicit and implicit components of EP have a significant impact on employees' ethical behavior and corporate results (Majluf and Navarrete 2011). It seems that harmonizing both sides of EP is important in order to gain the prospective benefits of ethical employee conduct. However, in some academic works, the implicit elements are not recognized as components of an EP. For instance, Jackson (1997) defines EP as 'the set of measures that companies use to promote ethical conduct and discourage unethical behavior' (p. 1227) and similarly, Weaver and Trevino (1999b) understand EP as a formal and tangible organizational control system designed with the aim to impede employee unethical behavior.

Regarding the number of EP components, various opinions have emerged in the academic discourse. Weaver and Trevino (1999b) identified six elements of an EP system: codes, committees, communication systems, officers, training programs, and disciplinary process to solve unethical behavior. Johnson and Abramov (2004) also delineated distinct components of EP. However, in their conception, the EP entails standards and procedures to guide employee behavior and foster reasonable stakeholder expectations; structures and systems that provide for authority, responsibility, accountability, and sustainability; communication channels; monitoring and audit of employee conduct; encouragement to seek advice and report concerns; due diligence in hiring; encouragement of employees to follow standards and procedures; appropriate responses when standards and procedures are violated; and regular evaluations of the EP effectiveness. Kaptein (2015) specifies eight major EP components, namely the code of ethics, training and communication, accountability policies, monitoring and auditing, investigation and corrective policies, ethics office(r), ethics report line, and incentive policies. For an overall picture of the EP

structure, the *United States Federal Sentencing Guidelines* (2015) require that the due diligence in respect to ethics and compliance programs should minimally be required to set clear standards and procedures to prevent and detect criminal conduct; to assign specific individuals within high-level personnel with responsibility for the compliance with ethics program; to communicate periodically the respective standards and procedures; to effectively monitor and audit the employee conduct; to instill mechanisms for reporting about criminal conduct; to introduce appropriate incentives for performing in accordance with the compliance and ethics program; to implement appropriate disciplinary measures for engaging in criminal conduct; and to periodically assess the risk of criminal conduct and subsequently to take appropriate changes in the ethics and compliance programs.

It is clear that the number of elements as well as their combination may vary from organization to organization. The selection of specific EP components depends on the specific needs of the organization and on the economic, cultural, social, or political circumstances in which a particular organization is located. However, the final mix of EP elements should follow the logic of categorization of EP components (Remišová 2015): (1) ethics-related documents (e.g., code of ethics), (2) reporting mechanisms (e.g., ethics hotline), (3) ethics education, (4) ethics authorities (e.g., director for ethics or ethics officer), and (5) monitoring/control mechanisms. Each category involves several EP components. Nonetheless, depending on the practice in a given organization, some components, such as ‘personal discussion’ on ethical issues, can be categorized as monitoring, but also as an integral part of ethics education; similarly, an ‘ethics case study’ can be classified as an educational method or as an ethics-related document.

Considering the variety of EP components, the code of ethics is considered as the key element of EP. The code of ethics is understood as the ‘skeleton’ of EP, around which other forms of institutionalization of ethics evolve, contingent upon the needs, interests, and prospects of organizations. It is assumed that a code of ethics should be formed as the first, or in the first phase of EP creation (Kaptein 2015). An effectively functioning code should be consciously implemented (Ruiz et al. 2015) and supported from the top of organization (Kaptein 2011a).

EPs of organizations differ in their structural elements, but it is rare to find an EP without a code of ethics. This special status of the code in the system of EP leads us to the logical conclusion that it is the most widespread and accustomed EP element in organizations. For instance, the *Center for Business Ethics* found in 1986 that up to 93% of 279 responding industrial and service companies had implemented a written code of ethics (Center for Business Ethics 1986). Several years later, the work of Weaver et al. (1999) gives support for this assumption. According to their

research, the vast majority of companies have adopted codes of ethics, although they differ substantially in their efforts to keep in check whether the content of codes is actually put into practice (Weaver et al. 1999). Furthermore, in specific Slovak conditions, corporate codes of ethics were the very first EP component implemented in companies (Remišová 1997). Due to the considerable spread of codes of ethics in business environment and their key role in forming an EP, we therefore theorize that:

**Hypothesis 1** The code of ethics is perceived as being the most influential EP component to shape the ethical behavior of managers.

### The Functions of EP

There is a certain disagreement on the basic EP functions in the literature. For instance, Ulrich et al. (1996) delineate two basic functions of the EP components (which they label as ‘Ethikmassnahmen’) as the *ethical-critical communication*, which accompanies behavior and decision-making of every agent in the organization as an open discussion on ethical issues and the *prohibition of decisions and actions that are ethically unacceptable* and should be disciplined in the organization.

Weaver and Trevino (1999a) state that EPs imply a varying emphasis on the shared values and behavioral compliance of employees. In this context, neither *values-based* function of stimulation, motivation, and encouragement to ethical behavior, nor *compliance* function related to monitoring and disciplining of employees should be regarded insignificant. Indeed, both these EP functions are important and should be integrated in every EP.

The US Federal Sentencing Guidelines (2015) take a specific approach to delineation of EP functions. They explicitly appoint the *prevention* from and *detection* of illegal and unethical behavior as two functions of an EP, where an EP ‘means a program designed to prevent and detect criminal conduct’ (p. 509).

Based on the *Corporate Ethical Virtues Model* (Kaptein 2008, 2011b), Kaptein (2015) differentiates seven functions of an EP that are designed to clarify to employees what is regarded as (un)ethical behavior; to make evident the role-modeling behavior exhibited by managers; to provide the necessary resources to employees to behave ethically; to foster a commitment to ethical behavior among employees; to increase transparency in respect to (un)ethical behavior in organization; to create platform for open communication on ethical issues; and finally, to reinforce ethical employee behavior.

In general, EPs are usually associated with *control* of employee behavior (Trevino and Weaver 2001; Weaver and Trevino 1999b). However, although the function of control

is important, the basic function of both morality and ethics lies in the regulation of human behavior. Thus, we consider the *regulation* of employee behavior as the basis of all aforementioned EP functions.

Going a step further in the attempt to specify relevant EP functions, after analyzing the aforementioned works on the EP functions, we come to conclusion that the current literature conceptualizes the regulation of employee behavior through EPs as (1) suppression of unethical behavior and (2) fostering of ethical behavior in the organization. The suppression is based on employee *compliance*, while the latter function emphasizes the employee ethical *development*. Consequently, we hypothesize that:

**Hypothesis 2** The examined EP components are banded together based on two EP functions: behavioral compliance with ethical guidelines and employee ethical development.

### The Relevance of EP

Many authors have advocated EP implementation by highlighting its relevance for contemporary organizations. It is presumed that if EPs are implemented within a suitable organizational context (strategy, culture, and HRM processes), they influence managerial decision-making in a formal way, which means that managers deduce the meaning of responsible behavior from the demands laid down in the EP (Nijhof et al. 2000). EPs usually also address conflicts of interest that may arise from the corporate activities, and the evidence shows that the active involvement of the board of directors in EP is related to lower incidence of potential conflicts of interest in companies (Felo 2001).

Trevino and Weaver (2001) confirm in their study that if employees do recognize that their company operates based on EP follow-through, there is less unethical behavior and a greater willingness to report problems. In a research study conducted by Majluf and Navarrete (2011), components of an EP were shown to have a significant and positive impact over the value consistency in employees' behavior as well as the perceived importance of ethics as a key factor to improve economic performance. EPs frequently assist organizations in achieving a better understanding of the law and might also represent a cost-effective approach for coping with an organization's legal issues (Peterson 2013). Furthermore, EP is supposed to be very effective, resulting in a greater awareness of the code of ethics, increased inclusion of employees in ethical decision-making, and an improved ethical climate in the organization (Beeri et al. 2013).

According to Reynolds and Bowie (2004), the dominant social scientific approach to EP lacks normative discussion on the respective topic. These authors suggest that a normative Kant's theory of ethical behavior 'is needed in order to more fully legitimize the moral aspects of ethics programs

and to provide the normative premises necessary to establish an ethical ethics program' (Reynolds and Bowie 2004, p. 276). Additionally, Stansbury and Barry (2007) argue that how control in organization is exercised may have malicious consequences and be morally problematic. They delineate indoctrination, politicization of ethics, and atrophy of employee competence as three potential drawbacks of EPs and warn that coercive control over EPs may challenge the organization's own effectiveness in limiting employee misbehavior.

As argued above, the importance of EP in fostering employee ethical conduct is indisputable. Nevertheless, the relevance of EPs is not straightforward and does not come automatically with EP implementation. It needs to be facilitated by other organizational variables in order to produce some positive consequences. For instance, the 'ethical tone at the top' (Trevino et al. 2003) is the key in this regard. As Weaver et al. (2005) note, 'managers can influence others by serving as role models for ethical behavior' (p. 314). In their later research, Trevino et al. (2008) express the similar idea that senior managers are important to the successful management of ethics in organizations. Hence, it can be assumed that the functionality of EP will be endangered if managers do not respect, or understand, the true potential of EP.

To increase managers' trust toward EP components, ethics training could provide added value in this respect. It seems that ethics training may have a substantial impact on many positive organizational variables, including the correct handling of ethical situations in the workplace (Frisque and Kolb 2008), employee satisfaction in respect to supervisors and coworkers (Valentine 2009), increase in ethical sensitivity (Taylor 2013), or organizational ethical values and individual perceptions of the importance of ethics (Verma et al. 2016).

The role of ethics training within an integrated EP is primarily twofold. First, ethics training elicits employee compliance (Palmer and Zakhem 2001), and second, it enhances employee decision-making skills and knowledge in the ethics area, and therefore raises their individual ethical awareness and sensitivity (LeClair and Ferrell 2000). The literature offers many examples of the benefits of ethics trainings in companies. Delaney and Sockell (1992) provided evidence that employees participating in ethics training programs were more likely to refuse to take unethical actions when dealing with moral dilemmas than were other respondents. The importance of ethics employee training was also shown by Warren et al. (2014). They studied the actions of bank employees before and after the introduction of formal ethics training to examine the effects of training on ethical organizational culture. Two years after a single training session, they found continual, positive effects on various indicators of ethical organizational culture including the observed unethical behavior, intentions to behave

ethically, and the perceptions of organizational efficacy in managing ethics. In their recent contribution, Mohamad et al. (2015) conclude that continuing professional development and related ethics training is central to improve ethics not only in regards to employee conduct, but also in the whole construction industry.

Considering the aforementioned positive influence of ethics trainings, we hypothesize that the perception of the relevance of EP components differs substantially between managers who have attended ethics training and their counterparts without such an experience:

**Hypothesis 3a** The perceived impact of the researched EP components is not equally distributed between the group of managers who have received ethics training and the group of those without ethics training.

**Hypothesis 3b** Managers, who have had ethics training, perceive EP components with higher relevance than managers who have not had any ethics training during their professional career.

## Research Methodology

### Sample

To investigate the effectiveness of EP components in fostering managerial ethical behavior, a large sample of 810 managers was collected for this study. The call for participation was disseminated through various channels in order to obtain a varied sample that would cover diverse organizational backgrounds. The link for electronic version of the questionnaire as well as the printed form was disseminated with the help of several Slovak professional associations that bring together managers from different industry environments and via managerial events including professional conferences and workshops. The call for participation was also sent to the HR departments of the biggest companies operating in Slovakia. Small- and medium-sized companies were reached mainly via press releases and the alumni clubs of Slovak universities offering management and economics study programs.

Respondents were Slovak managers working at different management levels, where 25.8% of the sample was populated by top managers, 36.2% by middle managers, and 35.2% by lower level managers. Most of the research participants had occupied a managerial position for a relatively long time; 38.4% of them had worked as managers for more than 10 years; and 37% of the sample had been actively engaged in management positions from 3 to 10 years. The majority of respondents were in the age category of 27–49 years (73%). Approximately 40.2% of the sample

was represented by women. Regarding organizational background, the respondents were working in both the public sector (10.6%) and private sector (86.9%), and in both foreign-owned companies (58.3%) and Slovak companies (39.9%). Almost 20% of companies were small sized, 22.6% medium sized, and 45.3% of the sample was occupied by respondents working for big companies with 250 and more employees, while 10.5% have worked in micro-companies with up to nine employees. In line with the scope of this study, it is important to note that 53.5% of respondents in our sample have received ethics training during their professional career.

### Scale

In designing the questionnaire section related to the EP items, we drew especially on the works of Johnson and Abramov (2004), Kaptein (2009, 2015), Maak and Ulrich (2007), Remišová (2011, 2015), Ulrich et al. (1996), Weber and Fortun (2005), Wieland (1993), and Wittmann (1995). In order to include all categories of EP components discussed in ‘The composition and structure of EP’ section in the research, we have selected eleven EP components for research purposes, namely the code of ethics, reporting system, system of regular control, ethics case studies, lectures, workshops, roundtables, external expert on ethics, ethics commission, ethics director, and ethics officer (for full description of the questionnaire items see ‘Appendix’). Respondents were asked to evaluate the EP components on a three-point scale ranging from ‘the element is effective in fostering ethical behavior of managers’ through ‘I don’t know whether the element is effective or ineffective in fostering managerial ethical behavior’ to ‘the element is ineffective in fostering ethical behavior of managers.’ This enabled flexible coding without manipulating the obtained quantitative data regarding the EP elements’ magnitude of perceived influence as well as consecutive utilization of a nominal coding scheme, in which dichotomous variables represented respondents’ approval or disapproval of the impact that the EP elements have on managerial ethical behavior (excluding ambivalent, ‘don’t know’ answers from further data processing). While the scale-based coding was applied for the purposes of hypothesis 2 testing, the latter nominal dichotomous coding scheme was utilized for hypotheses 1, 3a, and 3b testing.

## Results

### Perceived Effectiveness of EP Components

To test hypothesis 1, first we calculated the descriptive statistics indicators (see Table 1). Second, Cochran’s  $Q$  test was carried out to assess whether the proportions of the influence of EP variables were equal in our sample (Table 2).

**Table 1** Descriptive statistics for EP components

	Code of ethics	Reporting mech.	Regular control	Ethics case studies	Ethics lectures	Ethics workshops	Ethics roundtables	Ext. expert on ethics	Ethics commission	Ethics director	Ethics officer
N (%)	697 (86%)	669 (83%)	643 (79%)	578 (71%)	637 (79%)	635 (78%)	609 (75%)	533 (66%)	479 (59%)	468 (85%)	595 (74%)
Mean	.98	.87	.87	.85	.77	.80	.79	.71	.61	.61	.84
SD	.125	.333	.341	.353	.419	.400	.405	.454	.488	.488	.370
Ranking	1	2	2	4	8	6	7	9	10	10	5

Mean value from 0 to 1 with 1 meaning that the element is effective in fostering ethical behavior of managers and 0 designating that the element is ineffective in fostering ethical behavior of managers

**Table 2** Cochran's Q test results

df = 10	Cochran's Q = 128.755	
	Value 0	Value 1
Code of ethics	6	196
Reporting mechanisms	28	174
Regular control	30	172
Ethics case studies	32	170
Ethics lectures	44	158
Ethics workshops	37	165
Ethics roundtables	38	164
External expert on ethics	53	149
Ethics commission	60	142
Ethics director	55	147
Ethics officer	32	170

The majority of respondents perceived the code of ethics as the most suitable tool for improving managerial ethical behavior ( $M = .98$ ). In addition, Cochran's Q test did indicate significant differences in the level of perceived effectiveness among all eleven proportions,  $\chi^2(2) = 128.755, p = .000$ . Hence, Hypothesis 1 that the code of ethics is perceived as being the most capable EP component to shape the ethical behavior of managerial personnel was supported.

As shown in Table 1, the respondents ascribed quite a high value to the system of channels and procedures that are associated with the reporting of breaches of the code ( $M = .87$ ), as well as to control of behavioral compliance of employees with the code and ethics principles conveyed through an EP ( $M = .87$ ). Respondents also recognized the importance of ethics case studies utilized for managerial ethical behavior ( $M = .85$ ). Collective discussion activities in the form of ethics workshops ( $M = .80$ ), ethics roundtables ( $M = .79$ ), and ethics lectures ( $M = .77$ ) were also quite important in fostering the ethical behavior of managers. On the other hand, the ethics authorities, such as an external expert on ethics ( $M = .71$ ), the ethics commission ( $M = .61$ ), and director for ethics ( $M = .61$ ) have proven to be the least appropriate tools to influence managerial ethical behavior. The only element in the category of ethics authorities, which was perceived by respondents as an effective tool for enhancement of managerial ethical conduct, was the ethics officer in the position of an internal employee in the organization ( $M = .84$ ).

The correlation analysis (Table 3) was based on Kendall's tau-b test, in which relationships between variables are evaluated after the original data have been transformed into ranks. In general, values of tau-b range from - 1 (100% negative association) to + 1 (100% positive association), while the value of 0 indicates the absence of association between the measured variables. We have used a cutoff value of '.05' to determine whether the results are statistically significant.

**Table 3** Results of correlation analysis

Variables	1	2	3	4	5	6	7	8	9	10
1 Code of ethics										
2 Reporting mechanisms	.243**									
3 Regular control	.206**	.421**								
4 Ethics case studies	.157**	.076*	.154**							
5 Ethics lectures	.181**	.154**	.224**	.360**						
6 Ethics workshops	.099**	.082*	.162**	.384**	.486**					
7 Ethics roundtables	.104**	.079*	.167**	.338**	.270**	.386**				
8 External expert	.092**	.160**	.153**	.266**	.221**	.290**	.253**			
9 Ethics commission	.135**	.213**	.260**	.237**	.235**	.236**	.213**	.472**		
10 Ethics director	.159**	.193**	.304**	.238**	.269**	.224**	.213**	.333**	.609**	
11 Ethics officer	.199**	.196**	.170**	.199**	.250**	.249**	.225**	.205**	.342**	.422**

\*\*Correlation is significant at the .01 level (two-tailed)

\*Correlation is significant at the .05 level (two-tailed)

According to the results, all EP components related positively to each other. The strongest positive relationship was found between the components of ethics director and ethics commission ( $\tau = .609$ ). Furthermore, medium strong relationships were found between the components of ethics workshops and ethics lectures ( $\tau = .486$ ), between ethics commission and external expert one ethics ( $\tau = .472$ ), between ethics officer and director for ethics ( $\tau = .422$ ), and between regular control and reporting mechanisms ( $\tau = .421$ ).

**Delineation of EP Functions**

Hypothesis 2 is related to the detection of latent variables in the set of the researched EP components. The researched elements were subject to exploratory factor analysis with PCA extraction method. It concluded in a three-factor solution. Table 4, the rotated component matrix, together with Table 5, with total variance explained, refer to these results.

The groups identified in the factor analysis represent three distinct functions of EPs with differing levels of impact on managerial behavior. Thus, our assumption in the hypothesis 2 that the examined EP components are banded together based on two EP functions was not supported. Our results indicate that the functions of EP could be understood broader than they were formerly theorized. In addition to the two hypothesized EP functions of behavioral compliance and employee ethical development, our analysis revealed a third function. After carefully considering the content and meaning of the function, we labeled it as the ‘counselling and resolving of ethical issues,’ encompassing EP elements in factor 2, namely ethics commission, ethics officer, external expert, and the ethics director (Table 4). The other two functions resulting from the factor analysis connoted with the hypothesized EP functions and were subsequently labeled

**Table 4** Rotated component matrix

Components/factors	1	2	3
Code of ethics	.234	.015	.585
Reporting mechanisms	-.035	.178	.775
Regular control	.111	.210	.732
Ethics case studies	.712	.190	.087
Ethics lectures	.710	.149	.251
Ethics workshops	.793	.160	.065
Ethics roundtables	.665	.179	.040
External expert on ethics	.300	.670	-.036
Ethics commission	.118	.859	.134
Ethics director	.134	.794	.234
Ethics officer	.224	.529	.262
Perceived effectiveness of individual factors (M)	.74	.63	.85

Rotation method: varimax with Kaiser normalization

M = mean value from 0 to 1 with 1 meaning that the element is effective in fostering ethical behavior of managers and 0 designating that the element is ineffective in fostering ethical behavior of managers

**Table 5** Total variance explained

Component	Initial eigenvalues		
	Total	% of variance	Cumulative %
1	3.801	34.557	34.557
2	1.379	12.539	47.096
3	1.129	10.263	57.359
...			
11	.317	2.879	100

Extraction method: principal component analysis



as the ‘compliance with group norms,’ comprising EP elements in factor 3, namely code of ethics, reporting mechanisms and control mechanisms, and the ‘ethics education through collective discussion,’ consisting of EP components in factor 1 with ethics case studies, lectures, workshops, and roundtables.

After identifying these three EP functions, we carried out an analysis of their level of perceived effectiveness in relation to managerial ethical behavior (Table 4). The EP function of ‘compliance with group norms’ with  $M = .85$  was ranked as the most effective in influencing managers’ ethical behavior. Function of ‘ethics education through collective discussion’ was ranked as the second with a mean value of effectiveness of  $M = .74$ . As somewhat influential but still the least important in this respect was ranked the EP function of ‘counselling and resolving of ethics issues’ where  $M = .63$ .

### Links Between Ethics Training and Perceived Effectiveness of EP Components

To assess the hypothesis 3a that the perceived impact of the researched EP components will not be equally distributed between the group of managers who have received ethics training and the group of those without ethics training, we performed the Pearson Chi-square test. The test was focused on identification of statistically significant relationships between EP components and ethics training. We have used the cutoff value of asymptotic significance (two-sided) of .05.

Table 6 shows there was a statistically significant relationship between ethics training and only seven EP components. Thus, the hypothesis 3a was not supported, because the perceived impact was equally distributed between the

**Table 6** Chi-square statistics for relationship between the perceived impact of EP components on managerial behavior and ethics training

EP components/ethics training received	Value	df	Asymp. sig. (two-sided)
Code of ethics	1.703	1	.192
Reporting mechanisms	9.995	1	.002
Regular control	6.110	1	.013
Ethics case studies	9.087	1	.003
Ethics lectures	9.057	1	.003
Ethics workshops	9.335	1	.002
Ethics roundtables	1.917	1	.166
External expert on ethics	.203	1	.653
Ethics commission	5.004	1	.025
Ethics director	2.505	1	.113
Ethics officer	5.799	1	.016

two groups of managers in respect to four out of eleven EP components.

The results indicated that ethics training was associated with the perceived effectiveness of reporting mechanisms and regular control of ethical behavior at workplace (with Chi-square value of 9.995,  $p = .002$  and 6.110,  $p = .013$ , respectively). Furthermore, significant relationships were also identified between ethics training and the perceived effectiveness of ethics case studies and lectures (Chi-square value of 9.087,  $p = .003$  and 9.057,  $p = .003$ ). Similarly, a relationship with ethics training was also found in respect to ethics workshops (Chi-square value of 9.335,  $p = .002$ ). In terms of the ethics authorities involved in the research, only the EP components of ethics commission and ethics officer were linked to ethics training (Chi-square value of 5.004,  $p = .025$  and 5.799,  $p = .016$ , respectively).

To determine the actual differences in perceived effectiveness attributed to EP components between managers with and without ethics training, we conducted the Mann–Whitney  $U$  test that is used to compare differences between two independent groups (Table 7). The mean ranks indicate which of the two groups of managers perceives the effectiveness of EP components as higher.

The results indicate that *all EP elements were rated as more effective by those managers who have had ethics training*. In more detail, the perceived effectiveness of reporting mechanisms was significantly higher in the group of managers who received ethics training than in the group without ethics training ( $U = 49,184$ ,  $p = .002$ ). The same pattern was found also for regular control ( $U = 46,614$ ,  $p = .014$ ), ethics case studies ( $U = 36,410$ ,  $p = .003$ ), ethics lectures ( $U = 43,339.5$ ,  $p = .003$ ), ethics workshops ( $U = 43,788$ ,  $p = .002$ ), ethics commission ( $U = 24,587$ ,  $p = .025$ ), and ethics officer ( $U = 38,711.5$ ,  $p = .016$ ). Thus, *hypothesis 3b was supported*. Managers, who have had ethics training, have rated the effectiveness of all EP components higher, and in seven EP elements significantly higher, than managers who haven’t had any ethics training during their professional career.

### Discussion

Results of this study indicate that the code of ethics is perceived as the most influential EP component to shape managerial ethical conduct. The adherence of managers to group norms that are addressed in the code of ethics seems vital to any EP, since EPs represent a collective effort to model, regulate, motivate, and control human ethical conduct in the organizational setting.

Our outcomes also point out that while the code of ethics and related reporting and control mechanisms are perceived as effective tools to foster managerial ethical conduct,

**Table 7** Differences in effectiveness ascribed to EP components in respect to having received ethics training

Ethics training received	Mean rank	Sum of ranks	Indexes			
			Mann–Whitney <i>U</i>	Wilcoxon <i>W</i>	<i>Z</i>	A.S.
Code of ethics						
Without ethics training	341.59	103,843.50				
With ethics training	345.91	132,484.50	57,483.500	103,843.50	– 1.30405	.19
Reporting mechanisms						
Without ethics training	315.02	91,670.00				
With ethics training	341.85	125,800.00	49,184.000	91,670.000	– 3.159	.002
Regular control						
Without ethics training	306.63	87,084.00				
With ethics training	328.07	115,482.00	46,614.000	87,084.000	– 2.470	.014
Ethics case studies						
Without ethics training	271.14	67,785.00				
With ethics training	296.72	94,950.00	36,410.000	67,785.000	– 3.012	.003
Ethics lectures						
Without ethics training	295.92	80,195.50				
With ethics training	327.76	116,682.50	43,339.500	80,195.500	– 3.007	.003
Ethics workshops						
Without ethics training	296.89	83,128.00				
With ethics training	327.81	113,750.00	43,788.000	83,128.000	– 3.053	.002
Ethics roundtables						
Without ethics training	292.65	82,236.00				
With ethics training	306.49	97,464.00	42,615.000	82,236.000	– 1.383	.167
Ext. expert on ethics						
Without ethics training	261.84	60,748.00				
With ethics training	266.58	78,908.00	33,720.000	60,748.000	– .450	.653
Ethics commission						
Without ethics training	222.94	45,702.00				
With ethics training	246.91	65,926.00	24,587.000	45,702.000	– 2.235	.025
Ethics director						
Without ethics training	222.64	45,418.00				
With ethics training	239.37	61,998.00	24,508.000	45,418.000	– 1.581	.114
Ethics officer						
Without ethics training	281.15	68,601.50				
With ethics training	303.14	103,976.50	38,711.500	68,601.500	– 2.406	.016

Grouping variable: ethics training received

A.S. Asymp. sig. (two-tailed)

managers in our sample still might not be accustomed to various ethics authorities, being those which were rated with considerable lower significance. Managers might have poorer experience with these EP components than with other EP elements. They either might not regard these ‘personified’ EP elements as trustful, or do not perceive them as a working solution for the current corporate practice. The lower acceptance of these EP components might be triggered also by a gap between ‘what is being voiced’ and ‘what is being done’ in organizations. Previous research (Kaptein 2017; MacLean et al. 2015) has documented that there are indeed some perils stemming from a gap between the ‘formal’ and ‘informal’ values in organizations. We believe

lower level of managers’ trust in ethics authorities might have negative consequences for the perceived legitimacy of the whole EP system. In case these authorities are not capable to respond to ethical challenges adequately, the precondition for an ethical recovery paradox (Schminke et al. 2014) won’t be achieved. This may generate further problems with a negative effect on employee trust toward the whole concept of EP.

This study also aimed to expand the current knowledge on the functions of an EP. Based on the analysis of empirical data, three EP functions were delineated, i.e., ‘compliance with group norms,’ ‘ethics education through collective discussion,’ and ‘counselling and resolving of ethical issues.’

The ‘compliance with group norms’ function is perceived as the most effective to shape managerial ethical behavior. It includes the code of ethics, the mechanisms for reporting unethical conduct, and the mechanisms for regular control of (un)ethical behavior at workplace that serve as the basic source of information for employees on how to behave in and outside of the organization. The ‘ethics education through collective discussion’ ranked as the second most effective EP function in fostering managers’ ethical behavior. It encompasses elements of ethics case studies, lectures, workshops, and roundtables that are being usually carried out in a form of collective activities aiming to educate through cooperative interaction and discussion.

While the first two functions copy to certain extent the hypothesized twofold purpose of an EP, the third function resulting from the empirical data analysis and labeled as ‘counselling and resolving of ethical issues’ might be considered as a novel contribution to the EP theory. This function applies to the actions of ethics authorities at workplace, i.e., ethics officer, ethics director, external expert on ethics, and ethics commission. Despite the variety of their activities, the common denominator for all of these authorities is that they represent a platform for discussing and settling ethical issues in the workplace. The EP function of ‘counselling and resolving of ethical issues’ is concerned with how ethics-related issues are handled in organizations with the aim to resolve questions, uncertainties, or other problems that might appear in organizations. As for its influence, this EP function ranked in our research as somewhat influential but still the least important to support managerial ethical behavior.

Interestingly, the literature ignores to a certain extent the discursive role of the ethics authorities. An exception to this are the works of Ulrich et al. (1996) and Wieland (1993), where the authors point out that one of the basic roles of EP is to instill an open critical communication on ethics-related issues in the organization. Our research results are in line with their assumption. We believe the EP function of ‘counselling and resolving of ethical issues’ empowers employees to proactively address ethical issues in the organization. It seems to be vital for an effectively functioning EP to open up for employees the possibility to enter communication with someone who has the competence to take a stance to ethical issues, to communicate and give advice, and to navigate the employees through ethical and legal procedures, which will eventually lead to solution of the reported problem.

Last but not least, this study adds also to the current debate on the importance of ethics trainings in the company. It shows that there is a relationship between ethics training and managers’ perception of EP components as an effective tool to promote ethical behavior. Those managers in our sample who have attended ethics training rate the effectiveness of all eleven EP components higher than managers

who have not participated in any ethics training during their professional career. Our results show that respondents without ethics training have a stronger inclination to regard the EP components insignificant for managerial ethical behavior. They are more skeptical toward EP elements in respect of their potential to improve ethics at workplace and have a tendency to perceive these components as superfluous. This result is in line with Weber’s (2006) assumption that if companies wish to implement effective EPs, ethics education has to be deeply embedded within the company. It seems that ethics education supports managers’ belief that the EP components have an added value for the organization and are an important organizational ingredient. Thus, in a sense, the ethics training could be conceptualized as a precursor for an effectively functioning EP.

### Practical Implications for Ethics Management

Concerning the practical implications of our research, firstly, although a code of ethics is a central EP component, it is important not to rely overly only on a code. In our understanding, EP components do not compete with each other; quite the opposite, their power to enhance employee ethical behavior will be activated in cases where they are aligned into an integrated whole. Furthermore, our results show that to effectively regulate managerial behavior, three functions of EPs, i.e., ‘compliance with group norms,’ the ‘ethics education through collective discussion,’ and the ‘counselling and resolving of ethical issues’ at workplace, should be combined in every EP. Integration of these three functions seems essential for an effective EP.

Second, as the ethics authorities were proven to be perceived as the weakest points in fostering managers’ ethical behavior, organizations should systematically support the trust of managers toward these EP components. This means that authorities like ‘ethics director,’ ‘ethics commission,’ or ‘ethics officer’ must not only be instilled as formal mechanisms, but they also have to be utilized in organizational practice. Ethics authorities should be considerably empowered; priority in ethics management should be given to internal counselling and active resolution of ethical issues in the workplace. Therefore, the ethics authorities should have sound competencies and responsibilities in order to be capable of active solution of reported ethical issues. If managers realize that the authorities in charge of ethics do not involve themselves actively in resolution of ethical issues, their respect to this form of ethics institutionalization would probably diminish.

Third, this study pointed out the necessity to promote managers’ ethics education. Provided that organizations have a serious interest in development of ethics in the long term, they should pay attention to regular ethics training of their managers. In this context, it is also worth noting that

ethics education of students as prospective managers should be considered a priority. Through the lens of our research results, ethical competencies acquired during university studies should be systematically supported.

### Limitations

Our study has certain limitations, which may mean the results and their interpretation might be not fully accurate. Despite a quite large number of respondents, our research sample was not representative concerning the managerial population in Slovakia. Furthermore, we have obtained the data by a self-reporting procedure and we have measured the perceptions of effectiveness of EP components in regards to managerial ethical behavior, not their actual effectiveness per se. Another limitation relates to our particular focus on eleven formal EP components, whereas in practice other EP elements may also be utilized. By doing so, we have neglected the informal components of EP in our study. In addition, as Trevino et al. (2008) note, managers tend to have a more positive perception of organizational ethics than lower level employees do, largely due to their identification with the company and the need to protect the organization's image as well as their own identity. In our research, all respondents held managerial positions. Thus, our research outcomes might be biased to a certain extent.

### Conclusion

As a set of mechanisms and processes that shape employee conduct, clarifying both desired and unwelcomed patterns of behavior, the EP serves as a management tool to prevent unethical actions. It has the potential to form the organizational culture in order to achieve a high *ethos* in daily business operation. As such, the EP can be comprehended as a 'corridor' leading to employee responsiveness, ethical human resource management, and virtuous leadership in organizations.

This study was one of the first to investigate in detail formal EP components and their influence on managers' ethical behavior in Slovakia, a former socialist country from the CEE region that has been somewhat understudied in this respect. Results showed that code of ethics was perceived as the most powerful EP component in shaping ethical behavior of managers, while ethics authorities like ethics director and ethics commission were regarded as less influential in this respect. Perhaps due to the tendency of companies to focus on a narrowly conceived EP only as the compliance with legislation and the lack of attention paid to less conventional EP elements, results indicated that a written document (the code) could exert more influence on ethical behavior than the people representing

authentic linkage to the company ethics (the ethics authorities) could do. In addition, this study gave empirical support for a new function of EP, namely the 'counselling and resolving of ethical issues' at workplace. It revealed that besides the commonly theorized functions of EPs, i.e., 'compliance with group norms' and 'ethics education through collective discussion,' the EP's functions could be understood broader, taking into account the role of EP in fostering open discussion among employees on ethical issues and their resolution in the workplace. Finally, results of this study provided rationale for those who do not want to support a nowadays popular policy of training costs reduction, and for those who do not want to focus managers' education only on financial or technological areas of knowledge. Our outcomes show that ethics education has a potential to raise substantially the trust of managers toward other EP components and thus to empower the EP system in its integrality.

In Slovakia, the EP as an integrated system still remains a relatively new instrument of institutionalizing ethics in the company. We assume that extending the EP-related theory to this new and unique context might be interesting and our study might form a theoretical and methodological basis for other researchers in the field of CEE business ethics.

### Compliance with Ethical Standards

**Conflict of interest** All authors declare that they have no conflict of interest.

**Ethical Approval** All procedures performed in studies involving human participants were in accordance with the ethical standards of the institutional and/or national research committee and with the 1964 Helsinki Declaration and its later amendments or comparable ethical standards.

**Informed Consent** Informed consent was obtained from all individual participants included in the study.

### Appendix

Description of the researched EP components

Questionnaire item	Description	Questionnaire item	Description
Code of ethics	An important internal document. Represents a set of main ethical norms and principles, which are obligatory for all employees and agents in the organization. A tool for self-regulation of individual behavior in concordance with ethical requirements that are accepted in the organization. It specifies and refines key organizational values. The ultimate aim of a code is to support ethical behavior and prevent the unethical behavior of employees. A code of ethics does not provide employees with a detailed behavioral prescription for every situation in work life, but it sets an ethical framework for employee conduct. The organization clarifies by the means of a code of ethics that all its representatives have to take into account an ethical standpoint in their decisions and actions. A code of ethics entails an ethical commitment of the organization toward all societal stakeholders and the environment	Ethics case study	This represents a certain ethical issue, which might happen or really have happened in the organization. It describes a dilemmatic situation that the employees have to solve. By solving the case study, employees learn how to deal with morally problematic situations and acquire moral awareness and sensitivity to moral issues at their workplace. Ethics case studies formally belong to the category of ethics educational activities and ethics-related documents
System of reporting	Communication channels for reporting unethical conduct and violation of a code of ethics, usually through ethics hot lines (email or telephone channels). They can be managed internally or externally by the organization. Via these channels, employees can contact (even anonymously) an ethics commission or an ethics consultant to report the fact, which is, according to their moral persuasions, illegal or unethical, or alternatively, in case they want to know how to behave if someone induces them to an unethical conduct	Ethics lecture	A conventional educational method, which is focused on broadening participants' awareness and understanding of business ethics. Its role is to teach employees to understand the moral aspects of human actions and the process of ethical decision-making; to explain the content of ethical responsibility; to eliminate uncertainty in who is responsible and for what and what would be a morally proper attitude in ethically dilemmatic situations; to provide knowledge and methods enabling to identify and resolve ethical mistakes and how to overcome their negative consequences
System of regular control	Ethics monitoring, ethics audit, and partially also personal discussion on ethics (between superior and subordinate), belong to this category. The results of such a monitoring can be a part of comprehensive ethics review. The aim is primarily to gain knowledge on what ethics issues employees face as well as to assess the efficiency of implemented measures and their appropriateness in respect to particular organizational conditions	Ethics workshop	A work meeting, which is organized with the aim to discuss throughout an actual ethical issue, or new project related to ethics in the organization. Particular ethical issues are being collectively discussed and analyzed in a creative and open atmosphere. Usually, those who have some knowledge or experiences in the respective field are invited to take part in this event to provide others with relevant information and knowledge on the discussed issues

Questionnaire item	Description	Questionnaire item	Description
Ethics roundtable	A thematically flexible space or a platform to open up ethical issues in the organization. Roundtables are the base for discursive solution of ethical problems and free communication on various issues that employees regard as important or they are interested in and would like to get more information. Roundtables should take place in a democratic and tolerant atmosphere, and all employees should be invited to take part on a regular basis	Ethics commission	A qualified and respected collective body approved by the top management of the organization. Its role is to monitor how a code of ethics is followed, to solve conflicts, to propose measures on ethics development and to revise a code of ethics and the ethics program and to update them in regular intervals. Ethics commission is responsible for systematic and long-term business ethics development in the organization. Members of an ethics commission are usually internal employees together with external participants like experts on ethics, respected personalities from the business or public life
External expert on ethics	An expert educated in ethics, business ethics, and managerial ethics, who is not an internal employee of the organization. External expert can fulfill the role of an ethics ombudsman or ethics advisor. Any employee can contact an external expert with ethics-related queries, to report on violations of a code of ethics or with suspicion on code violations. Although mostly the external experts on ethics are competent to help in solving ethical issues, they are not in charge of making final decisions over stakeholders involved in the ethical issue. Their opinions and proposals are just recommendatory. An external expert fulfills the function of a mediator between an employee with a real moral problem and an employer competent to deal with the problem. The primary role of an advisor is to set a contact with all people in an organization who are directly involved in the particular ethical problem and to help them to solve the issue in ethical manner	Ethics director	An internal employee of the organization responsible for the overall strategy of ethics development in the organization. Director for ethics coordinates ethics development, administers the system of long-term ethics education, and is responsible for mechanisms, through which employees report the breach of a code of ethics. Director for ethics guarantees the monitoring of employee (un)ethical conduct
		Ethics officer	An internal employee of the organization responsible for the implementation of the ethics program in an organization, in particular the ethics officer guarantees the application of mechanisms, which employees use to report violation of a code of ethics. Further, ethics officer usually arranges ethics trainings, manages monitoring and supervision activities, regularly informs employees on ethics development, and proposes measures and other monitoring processes in relation to employee (un)ethical conduct

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