

A STUDY OF THE RELATIONSHIP BETWEEN CODES OF ETHICS AND THE
PERCEPTION OF EMPLOYEE INTEGRITY IN NOT-FOR-PROFIT ORGANIZATIONS

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Abstract

This paper focuses on the existence and practice of organizational code of ethics and its relationship with the perception of employee professional integrity. The rationale for this study is to examine whether there is a correlation between codes of ethics and the perception of employee integrity in a not-for-profit business environment. The complexity of our global environment requires most businesses to compete in international markets. Corporate officers are frequently presented with strategies to enhance company income which may produce immediate positive results, yet can harm the corporate image in the long run. This study will illustrate how code of conduct impacts business practices represented by company employees, their ethical beliefs and knowledge. The purpose of this research is to demonstrate the balance between codes of ethics and the perception of employee integrity in not-for-profit organizations.

Dedication

I would like to thank my wife and my son who were both very patient and supportive during this rewarding academic journey. I would also like to thank my brother who was a great inspiration to me throughout my entire life.

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CHAPTER 1. INTRODUCTION

Introduction to the Problem

This study is an evaluation of a relationship between organizational codes of ethics and ethical behavior in the workplace. The study also examines the differences in this relationship based on the region in which a not-for-profit organization is located and the industry type of not-for-profit organizations. The significance of sound ethical conduct is emerging in all professional fields. Recent research suggests that business ethics policies, organizational structure, and employee integrity are very closely interrelated elements, and all organizations must closely monitor and manage these aspects as their strategic fundamentals (Farr, 2002). Ethical conduct and social responsibility are key issues for each and every company (Valentine, Godkin, & Lucero, 2002). This study's objective is to evaluate ethical practices in the not-for-profit setting and the relationship between the codes of ethics and the perception of employee professional integrity.

Effective ethics policies and practices are good for business. McNeal and Michelman (2006) state that not-for-profit organizations with no regard for law, morality, and stakeholders are damaging already precarious natural and social environments. The lack of morality and ethics, in not-for-profit institutions results in lost security and credibility. Organizations that have an ethical orientation witness improved reputations, attract strategic partners, create and fuel creativity, have a work environment that is more responsive and open to change, are motivated to excellence and create personal growth opportunities for employees (Cheney, 2006). Although, most not-for-profit institutions see their organizations as functioning ethically, those that do not comply with standard codes of conduct may be damaging the reputation of organization's

purpose (Cheney, 2006). It is imperative that leaders realize the need for building an ethical community within the not-for-profit sector, as well as the need for more enduring partnerships with grantees and other stakeholders. All members of the not-for-profit community need to be involved in this process. In this study, data representing codes of ethics and its existence and effectiveness within the not-for-profit industry were collected and analyzed.

The ethics recognition and implementation processes in any organization needs to be initiated by top management. Not-for-profit institutions, in particular, require strong leadership skills to support their program efforts and their organizational strategic objectives. Solid ethical conduct and ethics policies recognition are required for those not-for profit organizations that are entrusted with public funds restricted to pursue their commitment to specific programs and activities (Thompson, 2006).

Not-for-profit leaders need to realize that ethics programs and social responsibility are not just mere requirements, but are designed to support operations to ensure that not-for-profit organizations become valuable players within their respective communities (Kubal, Baker & Coleman, 2006). The well-being of all stakeholders must be taken into consideration, since they, too, are making investments in these organizations. Employees invest their time, ideas, and intellect. Customers invest their trust, funds, and repeat business. Communities invest their infrastructure, supporting environment and habitat, such as schools and housing for the employees. All stakeholders play a significant role in not-for-profit activities and endeavors (Wagner, 2001).

Ethical leadership and trusting relationships among all employees are the essential ingredients for developing successful institutions that can persevere and compete in today's challenging not-for-profit environment (Gelb & Strawser, 2001). The principles of organizational

ethics are rooted in the stakeholder theory of each individual firm. Stakeholder interests should be a high priority for all not-for-profit corporations, since stakeholders are the users of their products. The implicit nature of non-profit groups and their operations as open systems presents several challenges. First, the high visibility of these establishments, due to their public work, often creates operational difficulties caused by environmental pressure. Then, the program oriented characteristics of not-for-profit institutions frequently suggest structural changes based on the type of programs organizations are involved with. Finally, ethics policies, organizational structure, and financial solvency are very closely interrelated elements, and each organization must closely monitor and manage these aspects as their strategic fundamentals (Shillam, 2004).

Events in corporate America during the early part of the twenty-first century have demonstrated the destructive effects that occur when the leadership of a company does not behave ethically. Despite the experience, education, and obvious business savvy abilities of corporate officers of Enron, WorldCom, and Tyco, leadership of these companies produced disastrous results (D'Aquila, 2001). The key ingredient in these corporate scandals was an extreme lack of ethics. Company executives are expected to operate as profitably as possible. Successful and profitable business in itself can be a valuable contributor toward the common good of society (File & Prince, 1998). However, professional ethics must be an integral part of the business operations. It is no longer enough to ensure a healthy bottom line; corporate social responsibility must play an essential role in today's business world (Grimalda & Sacconi, 2005).

Fombrun and Foss (2004) state that the best way to promote ethical behavior is by setting a good personal example. Employees expect their leaders to enforce the proper standards and provide guidance for the organization. Treating everyone in an organization fairly and ethically should be the top priority of every not-for-profit leader. Employees who are treated ethically will

more likely behave ethically themselves in dealing with customers and business associates. Green (1997) claims that business leaders have the obligation to set a moral example for all members of an organization, as well as to determine those organizational activities which may be beneficial to the values of society in general. Employees who operate in ethical environment are inspired to adhere to ethical standards themselves. Employees' ethical behavior represents actions with leaders' and moral intentions and is transparent with moral evaluations that lead up to that behavior (Green, 1997). This research, in particular, explores the relationship of codes of ethics and employee professional behavior in not-for-profit business environment. Codes of ethics are a vital part of every organization for employers to follow to ensure sound professional behavior and to maintain their integrity at the highest level (Hernez-Broom, Steed, & Lundberg, 2004). The major development in understanding the constructs underlying integrity tests was the finding that integrity tests were consistently correlated with three of the Big Five dimensions: conscientiousness, agreeableness, and emotional stability (Berry, Sackett & Wiemann, 2007).

Statement of the Problem

It is not known if a relationship exists between an effectiveness of codes of ethics and a perception of employee integrity in a not-for-profit setting. Research is limited in this area. The purpose of this study is to add to the body of literature pertaining to not-for-profit ethics research. Adobor (2006) claims that there is a renewed focus on ethics in not-for-profits in the U.S. Ethics compliance becomes a priority for most organizations and many not-for-profit leaders attempt to establish a connection between company ethics and employee professional behavior in a workplace (Adobor, 2006).

Purpose of the Study

The purpose of this study is to determine if a relationship exists between not-for-profit organization's codes of ethics and an ethical behavior of its employees in a work environment. The study also tested for differences in this relationship based on the region a not-for-profit organization is located and the industry type of not-for-profit organizations.

Significance of the Study

The literature evaluating the relationship between the not-for-profit ethics policies and employee honesty is limited. Professional ethics literature is often too simplistic and only very rarely identifies the impact of sound ethics guidelines on employee involvement and everyday business operations (Lewis, 2006). The well-publicized cases of corporate scandals, such as Enron, WorldCom, and Tyco demonstrated enormous misconduct that seriously damaged stakeholders' trust in corporate governance (Swartz, 2003). An investigation of these incidents revealed that the primary causes for the misconduct included non-compliance with corporate code of ethics and corrupt professional behavior of company officers. Similarly, not-for-profit organizations have their share of ethics difficulties. Reichert, Webb, and Thomas (2000) claimed that most ethical dilemmas in the not-for-profit sector are concerned with the area of restricted income. Not-for-profit organizations raise funds restricted for specific intentions. When these funds are not used for the intended purpose, the company is violating the contract, otherwise also known the grant agreement (Reichert et al., 2000). Grant agreement is a document produced by an organization or individual supporting specific activities of a not-for-profit organization (Meiselman, 2007). This document outlines particular areas of activities and funding designated for these activities.

The existence of organizational codes of ethics was measured according to the answers provided by higher level representatives of not-for-profit organizations, such as executive directors or human resources directors. These answers reflected on survey instruments were collected from the individual not-for-profit organizations. Similarly, employee integrity was measured by the information, regarding employee honesty, provided in distributed questionnaires (see Appendix A). The research and testing evaluated the benefits of comprehensive codes of ethics, their levels of implementation and practice, and their relationship with employee honesty in not-for-profit business settings. The results of this study added to the body of literature to broaden the empirical basis for determining and implementing ethics policies in not-for profit organizations.

Theoretical Framework

For this project, several theories were addressed that relate to the variables, sample, and the population of the study. According to Adobor (2006), organizations continue to develop a variety of ethics programs by developing organizational infrastructures to support their ethics implementation efforts. One of the critical aspects of the ethics implementation process is a creation of ethics officer position. Although corporate ethics officer and ethics committee is a common practice within large corporations, not-for-profit organizations can rarely afford these additional layers of management. Executive directors and senior management teams frequently represent the ethics enforcement elements of the not-for-profit community (Malloy & Agarwal, 2003). The research framework is a visual tool reflecting the study's impact of both variables on the not-for-profit organizational efforts and goals. The framework demonstrates the influences codes of ethics have on individual functions within an organization. It also displays the impact

on the perception of employee integrity (dependent variable) internally, within an organization, as well as externally, with stakeholders and the public in general.

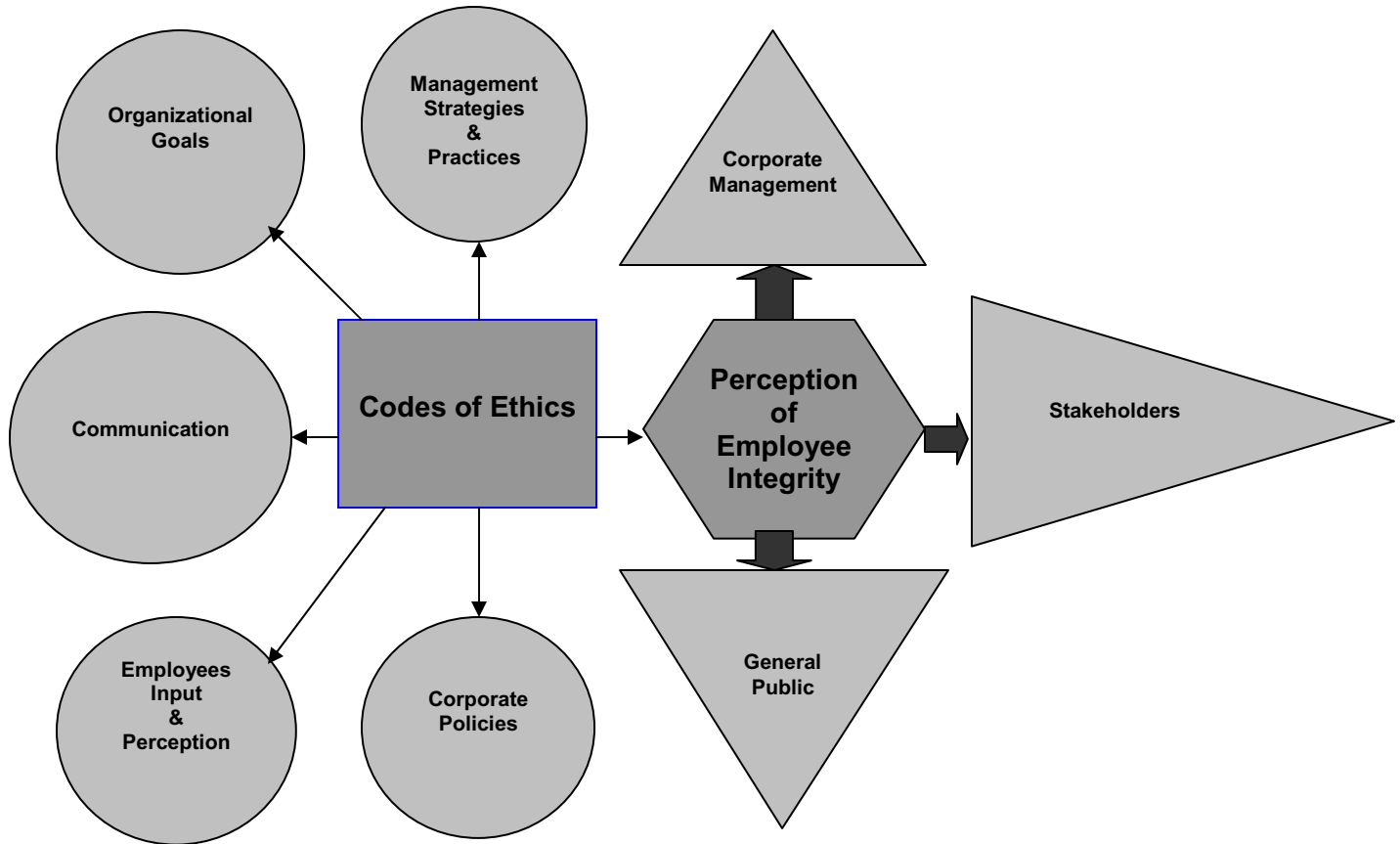


Figure 1. Not-for-profit codes of ethics and a relationship with the perception of employee integrity framework

The degree and effectiveness of business ethics are often measured by examining ethics rules and principles within a commercial context. Longenecker (1985) points out that various moral or ethical dilemmas can arise in a business setting and any special duties or obligations can apply to persons who are engaged in business transactions or representation. Various studies have been performed on ethics in leadership, including corporate transparency and code of ethics

disclosure (Bassiry, 2002). Many studies have pointed out various weaknesses in not-for-profit governance resulting in ethics deficiencies. These studies include a lack of monetary control, significance of not-for-profit corporate cultures, and misappropriation of donated funds (Shanahan & Hopkins, 2007). There is, however, a little research done concerning the relationship between the ethics code effectiveness and a perception of employee professional integrity in not-for-profit business setting.

Organizational ethics set the tone for management actions and decision making in all circumstances. When codes of ethics and their interpretation are not nurtured and constantly maintained, ethical dilemmas may often result in unethical behavior. In those situations, an organization's culture also can predispose its members to behave unethically. Extensive research, involving a creation of ethical climate and corporate ethical culture has taken place (Kranacher, 2006). Little research however has been conducted to explore the relationship between codes of ethics and employee integrity in the not-for-profit sector. Most studies explored individual aspects of the not-for-profit organizational structure, such as leadership style, company culture, and fundraising activities (Reichert, Webb & Thomas, 2000).

Dehspande (1996) argues that ethics policies in an organization and ethical behavior of employees and management within an organization are two distinct concepts; however, they do influence each other. In this quantitative study, codes of ethics are identified as independent variable, and employee integrity represents the dependent variable. Surveys, measuring the relationship between these two variables, were addressed to representatives of not-for-profit organizations, directly to human resource director or, in the absence of human resource directors, to executive directors. The representative for each organization completed the questionnaire. This representative was a person familiar with company ethics policies, their enforcement and

distribution to all employees. The representative was also familiar with any breaches of ethical conduct by company employees. Additionally, small number of employees, from not for profit organizations, were surveyed to test the perception of directors' honesty in answering the questionnaires. This study explored the correlation between the codes of ethics of a not-for-profit organization, and the behavior of employees in a workplace. The study also tested for differences in the relationship, based on the region a not-for-profit organization are located and the individual industries of not-for-profit organizations.

Research Questions

This study was derived from previous studies exploring relationships between professional codes of ethics and employee behavior. Martin and Cullen (2006) examined various forms of the ethical climate that compared to perceptions and individual behavioral outcomes in organizations within different industries. The study examines the relationship between codes of ethics and employee integrity, specifically in the not-for-profit work environment, and it includes testing for differences in this relationship based on the region a not-for-profit organization is located and the industry type of not-for-profit organizations. Considering Martin and Cullen's (2006) recommendations, this study's propose was to investigate the correlation between the organizational codes of ethics and employee behavior in one specific industry, the not-for-profit sector.

The research questions for this study are direct reflections of management questions concerning a pursuit to increase the level of professional ethics among all employees in the not-for-profit industry.

1. How are codes of ethics and perception of professional integrity in not-for-profit

organizations related?

2. What is the relationship between codes of ethics and the perception of employee professional integrity in not-for-profit organizations based on geographical regions of the United States?
3. What is the relationship between codes of ethics and a perception of employee professional integrity in organizations within various not-for-profit industries?

Leal (2006) claims that nongovernmental entities, charities, and civil associations without a profit motive do not always pride themselves with impeccable credentials as it may first appear. This study is designed to explore these instances and evaluate the relationship of organizational ethics and employee perception of professional honesty and integrity in the not-for-profit work environment.

Definition of Terms

For the purpose of this research study, the following terminologies with these definitions function throughout the text:

Business ethics is a set of corporate practices and procedures, examining ethical principles, moral and ethical problems that can occur in business environment (Dorweiler & Yakhou, 2006).

CEOs refer to individuals who serve as chief executive officers of an organization (Verschoor, 2005).

Code of ethics is known as written set of guidelines prepared and adopted by a public agency or a private corporation (Bernard & LaCross, 2005).

Consistency in association with business ethics refers to moral actions applied to all people, in all places, at all times, providing same circumstances (Fritz, Arnett, & Conkel, 1999).

Deviant behavior is a behavior that is in violation of social norms (Applebaum, Iaconi, & Matousek, 2007).

Employee integrity is known as an alignment between what an employee thinks, such as beliefs and values, what he or she says, and what he or she does. In professional environment, confidentiality and individual perception of confidentiality is closely connected to employee integrity (Pinchot & Pinchot, 1997).

Ethical climate refers to an establishment, public or private, personal or professional, of ethical policies and standards and the reflection and meaning of these policies and standards (Dehspande, 1996).

Ethical compliance is a term used to adhere to ethical standards and corporate ethical policies (Edwards & Wolfe, 2006).

Ethical culture is defined as informal and social system that sets the norms for employee professional behavior and defines acceptable practices and ethical expectations in an organization (Scholtens & Dam, 2007).

Ethical decision-making refers to a decision-making process with adherence to organizational ethical standards and is consistent with good corporate citizenship (Logsdon & Wood, 2005).

Ethical standards are set of rules represented by ethical principles and corporate ethical values (Andrews, 1984).

Ethics is a term referring to a set of rules and principles that define right and wrong conduct (Lamberton, Mihalek, & Smith, 2005).

Ethics officers are defined as leaders in the area of business conduct, which position is unique in the sense that it faces multiple expectations from groups or systems in the organization (Adobor, 2006).

Financial disclosure defines a legally required process where a one party discloses documents and relevant information to another party (Verschoor, 2001).

Justice is known as a fair treatment to all by distributing the risks and benefits equally (Valentine & Johnson, 2005).

Leadership is defined as a process where one individual influences other group members to attain organizational goals (Verschoor, 2005).

NGOs are legally constituted organizations created by a person or persons without any participation of governmental agencies. NGOs are often represented by not-for-profit institutions (Grimalda & Sacconi, 2005).

Not-for-profit organizations represent institutions whose primary objective is to engage in activities of public or private support without any intention of generating profits. These organizations are mission-driven (Graafland & Bert van de Ven, 2006).

Nonprofit misconduct is defined as legal term, occurring within a nonprofit industry, meaning wrongful, improper, or unlawful conduct motivated by premeditated purpose (Reynard, 1998).

Nonprofits refer to groups or organizations involving functions of volunteers, non-governmental agencies (NGOs), foundations, and not-for-profit organizations. (Emanuele and Higgins, 2000).

Perception is defined as a process of understanding or attaining opinion, interest. It is an act of apprehending by the means of mind (Phillips-Donaldson, 2003).

Philanthropy refers to an act donating funds, goods, or time for a charitable cause, typically over a period of time (Lohmann, 2007).

Transformational leadership is defined as attempt to align the principles of individual and organizational interests. Transformational leaders have the capability to inspire followers to go beyond their own self-interests for the benefit of the organization (Bass and Steidlmeier, 1999).

TQM refers to a total quality management, a management strategy targeted at awareness of quality in all organizational processes (Svensson and Wood, 2005).

Value systems are defined as a process how individuals organize their ethical and ideological ideas and are considered the embodiment of what organizations stand for (Mattson & Stage, 2001).

Whistleblowing is a process referring to an employee or an organizational member reporting misconduct to a persons or entities that have power to take corrective action (Eaton & Akers, 2007).

Assumptions and Limitations

Assumptions

1. With a focus on organizations rather than individuals, organization's representative participated to the best of his or her knowledge.
2. Since the knowledge of not-for-profit ethics policies, for each specific organization, is required, individuals answering the questionnaires were part of a senior management team of the organizations they represent.
3. Individuals who participated were all representatives of not-for-profit institutions.

4. Individuals who participated had the knowledge employee ethical behavior and professional conduct within each not-for-profit organization.
5. Individuals who participated were able to understand and accurately complete the survey.
6. Individuals who participated reported the existence and status of codes of ethics accurately.
7. Individuals who participated reported employee behavior accurately.
8. Individual who participated were honest when completing the survey document.

Limitations

1. The sample size was limited and the findings may not be generalized to the population as a whole.
2. All participants were volunteers and part of a convenience sample; therefore, they may not accurately reflect the general population.
3. The study did not differentiate between the levels of incidents occurred within individual organizations.
4. The study did not differentiate between the genders of individual participants.
5. The study did not differentiate between the ages of individual participants.
6. The study did not differentiate between the socioeconomic statuses categories of the participants.
7. Individuals who participated might not have been able or willing to accurately complete the survey instrument.

Summary

With the continued focus on ethics in the work environment, Aquila (2001) points out that ethics perceptions in today's workplace are often based on both management's actions and management's expectations of all employees. Although, organizations attempt to create professional and ethical environments by implementing a number of initiatives, particularly code of conduct documents, ethics awareness training programs, and creating ethics officers positions, it is generally believed that the atmosphere in which employees carry out their responsibility influences whether employees will behave ethically. Several studies were conducted to describe management effort to create professional environments that promote ethical practices by understanding employee perceptions. This study further elaborated on the level of relationship between codes of ethics and employee integrity, as well as the status of professional behavior in the not-for-profit business environment.

CHAPTER 2. LITERATURE REVIEW

Introduction

It is critical that a safe and well established ethical climate becomes an important factor, a priority of corporate management, since this is the most influential element in ethical behavior of employees. Therefore, an ethical climate, according to Dehspande (1996), is identified as a foundation of professional morality. Corporate leaders are increasingly aware of the positive influence of the sound ethical climate on employee performance and overall company results. An internal code of ethics and sound corporate policies may help to ensure that employees and management comply with professional standards and assist to develop such a climate. Training programs, in particular, are excellent means in creating suitable ethical climate, where all employees equally participate and benefit from an environment which is caring and fair to all members of an organization (Emanuele & Higgins, 2000).

Organizational Ethics

Gelb and Strawser (2001) claim that corporate social responsibility and adequate organizational policies are essential to secure legal compliance and good corporate standing within local communities. The study, based on quantitative research methodology and a fixed research design, argues that institutions have incentives to engage in informative disclosures by undertaking socially responsible activities, which include ethical standards and organizational morality. It further examines the relationship between disclosure levels and corporate social responsibility. The study measures a positive association between business ethical conduct and individual representation within local communities, based on hypothesis testing of identified

dependent and independent variables, where the independent variable is the corporate code of conduct and the dependent variable reflects the individual representation within local communities. The study outcomes illustrate positive correlation between the two variables and communicate social responsibility and good citizenship as some of the essential elements of every organization.

Raynard (1998) states that all stakeholders of an institution need to be included in the ethical adherence process. Stakeholders are being defined as those that affect or being affected by the activities of the organization. According to Raynard (1998), the not-for-profit sector has still long way to go in the development of effective social and ethical policies and practices. This is caused partially due to constant struggle for operational funding, which is for many philanthropic organizations their principle concern of necessary means to pursue their mission. Another reason for insufficient professional conduct policies is a lack of business ethics training and education.

Corporate ethical policies are designed to set guidelines and to protect organizations and their employees from negative workplace behaviors. Applebaum, Iaconi, and Matousek (2007), thoroughly examine the impact on organizations of those who violate organizational norms, policies, and internal rules. Applebaum et al. (2007) evaluate the relationship between corporate ethical policies and employee integrity issues in the workplace. According to a recent research, the impact of the widespread theft by employees on US economy is estimated to be \$50 billion annually. Furthermore, the study suggests that incidences of negative workplace deviance are now soaring out of control, with close to 95 percent of all companies reporting some deviance-related experience within their respective organizations. These observations include findings of embezzlement, computer fraud, sabotage, and theft. Up to 75 percent of employees engaged in

these deviant behaviors. Their quantitative study and extensive hypothesis testing, including Pearson correlation coefficient, suggest that a comprehensive set of ethical policies and a compliance with business ethical standards cause a decline in individual deviant behaviors that may harm an organizational image and productivity.

Dorweiler and Yakhou (2006) argue that in an organization business ethics play a central role dictated by a corporate culture and that functions within laws and provides not only the direction, but also the style of conducting business. This qualitative study evaluates the influence of corporate culture on business conduct. The study involves survey documentation and numerous interviews, researching the topic of organizational culture and ethical compliance. Depending on the size, resources, and cultural development, organizations produce internal ethics documents which are then being used in training employee awareness and adherence to ethical guidelines and policies. There is no doubt that organizational cultures are the fertile grounds for the creation of corporate policies and professional code of conduct. A culture, in a workplace, reflects essential corporate beliefs and values, which then represent the behavior and working style of particular organizations.

Organizational culture is a vibrant composition that strongly influences an ethical conduct within an institution, as well as a conduct with outside entities (Bassiry, 2002). Decades ago, when most companies managed their professional operations, considering merely national markets, corporate ethics were impacted by domestic policies and business customs only. Today; however, multinational cultures, macro environment, and international markets force corporate executive to reflect global expansion trends in their business ethics policies. This quantitative study measures the impact of corporate ethical conduct on large organizations performing on an international market scheme. Likert scale questionnaires were used as the measurement

instruments. The universal reach of the well recognized corporations, as well as the visibility of the large nonprofit organizations, has brought the issue of corporate ethics to the forefront of public concern. The study outcomes suggest that the ethical aspect has assumed exceptional urgency given the increasing influence of the major corporations not only on the economic life, but also on such domains, such as culture, politics, and the environment (Bassiry, 2002).

Since the recent corporate scandals, general public appeared to lose the confidence and trust in the business community. Kranacher (2006) conducted a qualitative study supporting empirical findings that ethical business conduct is essential to all stakeholder relationship. The study consisted of numerous interviews with participants measuring the effectiveness of organizational ethical culture in conduct major stakeholders. The results reflecting the standing and success of organizations within local communities suggest the importance of sound corporate policies and clear interpretation of organizational code of conduct. Adherence to ethical conduct does not only represent a full compliance with standard business laws, but it includes a commitment to establishing a business culture that would regain the public's trust again. Every organization, whether it is a for-profit or a not-for-profit company, needs to be morally responsible, by complying with ethical requirements and be socially responsible by meeting principle stakeholder interests. Since organizations are represented by their members, the businesses act only to the extent that its individual members bring about those actions. If the members do nothing, the organization does nothing as well, and this implies that the corporate ethics are only as good as the representatives of the organization. Unethical behavior, such as corruption, is a destructive element of every business and the society as a whole.

Kranacher (2006) explains that developing comprehensive ethics policies and implementing effective controls are key elements in securing productive future for each

organization. Additionally, corporate employees need to be involved in every step of the process and must become intimately familiar with ethical policies and internal controls, including the consequences of not complying with the ethical standards. This qualitative research outlines the ethical key elements leading to success in today's business environment. This study compares the effectiveness of ethical policies and controls and measures the level of financial performance and compliance in individual organizations. The measurement was executed by the support of interviews with corporate executives and by examining the financial statements performance. The final outcomes suggest that not only written policies should be in place, but also an establishment of proactive procedures concerning communication for reporting violations. It is vital that all corporate ethical policies are adopted by a company's management and executives and are enforced to include all members of the organization. Corporate representatives are unlikely to take an organization's code of ethics seriously unless top management adheres to these standards first. Company executives and managers not only need to endorse strict standards of conduct, but they must also follow the code themselves. The purpose of ethical policies is to support a culture of trust and integrity that benefits not only the organizations and their management, but the entire community as well and recommends further research in the area of ethical policies implementation and employee behavior monitoring.

Ethical Practices in a Workplace

Verschoor (2001) poses a challenging dilemma, discussing whether or not companies currently pay more attention to ethics. Although, financial scandals still persist, the trend seems to indicate increasing number of companies pays closer attention to ethical education and practices. This study, using quantitative methodology, reviews number of organizations and their

approach to efforts to encourage greater disclosure of social, environmental, and financial performance. Verschoor (2001) measures the influence of organizational ethical standards on financial information disclosure effort. The measurement method evaluates an ethical influence on the degree of financial disclosure revealed, by comparing the practice of code of conduct and financial information disclosed to investors, auditors, and other related parties. In addition the findings in this study show that most stakeholders reject governmental intervention and prefer voluntary disclosure by corporate officers. Although, voluntary compliance is preferable, involved stockholders agree that third party monitoring and oversight is needed. The purpose of the study is to measure the effectiveness of the relationship between sound ethical practices and corporate financial compliance.

Verschoor (2005) states that an establishment of strong ethical environment should be a top priority of all companies, and that management needs to lead by example to set the right tone throughout the organization. Recent survey of ethical misconduct in not-for-profit organizations experiencing significant structural changes, include 21% of employees observed abusive or intimidating behavior toward employees, 19% of employees observed lying to staff, customers, vendors, or the public, 18% of employees observed situations when management placed their own interest over organizational interest, and 16% of employees observed misreporting of financial and other organizational documentation. This survey was conducted in 2005, by the Ethics Resource Center (ERC), an organization devoted to the advancement of organizational ethics (Verschoor, 2005). Ethical misconduct certainly occurs among various types of organizations and under number of different circumstances. Structural weaknesses are one of the principle causes of unethical behavior. This quantitative study, evaluating the influence of organizational structure on firms' ethical conduct, concluded a positive correlation between a

sound corporate structure and corporate business ethics (Verschoor, 2005). The measurement of organizational structure examined the levels of management, each group's responsibilities, and the communication channels between the individual segments. A strict adherence to company policies and corporate code of conduct seemed to positively influence the perception of ethical behavior within an organization.

Not-for-profit organizations are faced with many different challenges. Their structures and operations are quite different from other industries. In a qualitative approach, Oosterhoff (1999) points out the unique ethical dilemmas of nonprofit firms. First, not-for-profit organizations generate their revenue differently. Also, most economic rules, such as demand and supply, do not apply the same way for majority of not-for-profits. Only a fraction of income comes, in most cases, from clients receiving social services. The other ethical challenge, for a majority of charitable organizations, represents the guidelines for the use of restricted income. In general, the greatest portion of not-for-profit revenue is restricted to a certain purpose, and the funding comes with specific instructions on how to use the funds, limiting the ability to use the money in most efficient manner. This may possibly be the greatest challenge for most non-profits, since restricted income often causes changes in organizational setting. Many donors, including governmental agencies, are willing to fund charitable programs; however, very few donors want to support corporate overhead. Similar situations put non-profit firms in difficult position, and many of them are forced to restructure and even reduce administrative staff. Very few donors realize that organizations are not able to carry on their missions if they can not pay their rent and have administrative staff to support their programs. The purpose of this qualitative research is to identify the imperative aspect of full financial disclosure and corporate representation and honesty. There are many challenges, not-for-profit organizations encounter

today, including board oversight, public perception, environmental issues, and funding opportunities. Many of these challenges become true difficulties, and charitable firms must learn to keep their structures flexible and to face ethical concerns which often arise from difficult situations (Oosterhoff, 1999).

Green (1997) states that the not-for-profit institution is the growth industry of America. With increased number of philanthropic organizations, the pressure on not-for-profits has intensified. Additionally, reduced funding by the government caused charitable organizations to cope with increased competition for resources. Many organizations, in the not-for-profit industry, rely on their board of directors for the majority of their fundraising. This quantitative research study examines the influence of board of directors' involvement on the ethical representation of the organization. Survey documentation, distributed to approximately 100 organizations, included information regarding board participation in policy making decisions and as well as ethical corporate practices. The study outcomes reveal that the more intense involvement of the board of directors in the corporate policy and decision making process, the influence on company's ethical representation tends to be more positive. However, the board is also the governing body of the organization and should act as its policy maker. Some of the recent fiduciary misconduct in non-profit firms, increased awareness of board member responsibility for the governance of the organization. In order to govern effectively, boards need to accept the legal and fiduciary accountability for the company. The board of director's role within an organization is extremely important, and effective board members will examine each area of responsibility and determine the appropriate level of performance.

Stakeholders versus stockholders qualitative research study, according to Dufrene and Wong (1996) addresses the issues concerning stakeholder interests and stockholder expectations.

Today's corporate officers continuously attempt to increase company profits and maximize shareholder wealth, which is not always consistent with obligations of social responsibilities by finance practitioners. There are some weaknesses in the stakeholder protection argument. If stakeholders expect businesses to commit to the common good of the larger community, they are often forced to neglect other expectations of smaller stakeholder groups, such as stockholders' wealth. Examining all arguments, pro and against various ethical issues, pertaining to employee rights, as well as financial representation, including a compliance with corporate social responsibility, reveals the principle dilemma most executives are facing today. This study, in particular, covers ethical education in different social settings, including not-for-profit institutions, and through qualitative interviews, examines the controversial elements of ethics versus profits.

Management and Employee Involvement

The term corporate citizenship is becoming increasingly popular; expressing that businesses have responsibilities beyond making profits. The not-for-profit industry tends to adhere to stakeholder interests because of its mission-driven nature. The fact that almost all not-for-profit institutions operate as open systems only adds to the social responsibility issue. Reichert, Webb, and Thomas (2000) examine the relationship found between specific industry type organizations and ethical and environmental policies and practices. Furthermore, the study supports the notion that corporate policies need to go beyond simply complying with the letter of the law and should focus on acquiring a reputation that is above suspicion. The purpose of this study is to reveal an approach of individual firms in dealing with a variety of ethical issues, including internal codes of conduct and policies regarding employee honesty and integrity, as

well as external aspects such as environmental practices (Reichert et al., 2000). The research is conducted by employing qualitative methodology and flexible research design approach conducting in depth interviews, measuring the impact of unethical corporate practices on the operational viability of various organizations. This qualitative process measured, specifically, a correlation between corporate ethical conduct, of approximately 120 organizations, and the impact on major stakeholders of the institutions.

Outsourcing individual positions, segments of production, or the entire manufacturing industries has become a common factor of the competitive nature of our global business environment. Rucker (2003) presents empirical data reflecting organizational commitment to ethics in private and public sectors. Furthermore, Rucker (2003) claims that in the area of public administration, an analytical viewpoint of normative commitment to the organization is the starting point of ethical values, specifically referring to accountability, dedication, effectiveness, and responsiveness. The study performed comparative statistics between public and private respondents, measuring ethical components of job outsourcing. Specifically, the human relation aspects of eliminated positions, severance packages, and health benefit provisions. A quantitative methodology with the use of survey documents was applied in this study. This experiment measured the reaction of employees, in private and public sectors, to job outsourcing. According to Rucker (2003), the firms' ethical and sensitive approach was an integral part of this process. The analyses of this study suggest that employees from the private industry have slightly more liberal outlook on the outsourcing process. In addition, the paper examines the ethical consideration and the human responses resulting from a decision making process. The description of normative ethics assumes that its essential objective is to decide what is right or wrong. According to Rucker (2003), what is considered to be right in outsourcing services and

products is wrong for employees who are displaced or unemployed without pay and benefits. This theory leads to ethical policies and practices that go beyond the satisfaction of the law alone. The human factor plays an imperative role in the area of ethical conduct and corporate social responsibility.

Philanthropic institutions are created by communities who are the true beneficiaries of the activities of the not-for-profit effort (Brammer & Millington, 2005). Therefore, mission-driven organizations are committed to the use of their contributed funds strictly for the purpose intended by affiliated donors or by governmental agencies. The ultimate goal of not-for-profit institutions is pursuing the mission and vision created by their communities as well as the organizational leaderships. The not-for-profit organizations' purpose is to serve the institution's principle stakeholders. Their corporate mission is not generating profits, but fulfilling their strategic initiatives to benefit the society. Not-for-profit organizations need to follow these guidelines with strict adherence to proper ethical conduct and expected compliance with governmental rules and imposed restrictions.

According to Brammer and Millington (2005), attention to ethics in a professional setting guides not only corporate leadership and management, but the entire staff to how it should act. Even more importantly, the existence and practice of business ethics in a workplace helps to ensure that strong moral principles are retained even during difficult times and struggles. For many organizations, professional code has become a management discipline, particularly since the attention to corporate social responsibility is being required by most stakeholders in the mission-driven community. This qualitative research study, measuring the degree of ethical conduct effectiveness reveals that many not-for-profit groups are well aware of the image and reputation they need to continuously portray in order to secure their business relations and public

support. The measurement was conducted by examining the levels of contributed funds to nonprofit organizations with strong ethical policies and comparing to those with insufficient code of conduct documentation.

Ethical dilemmas, in intercultural environments, are often created when employees are wedged in a position between the behavioral expectations of the host culture and the contrasting cultural expectations of the home organization (Mattson & Stage, 2001). Toward an understanding of intercultural ethical dilemmas as opportunities for engagement in new millennium global organization is a study focused on cultural shifting which can pose unique intercultural communication tensions that are able to create intense ethical dilemmas for employees and business associates. The most significant ethical challenge, in this qualitative study, is reflected by the contrast of domestic corporate standards and the customs and standards of the host country. Affected employees are often left to independently balanced dialectic tensions inherent in the intercultural ethical predicaments created within multicultural environments. Furthermore dialectic tensions in an ethical situation allow an attention on communication as a multidirectional process that occurs among individuals, rather than imposing one way channels on others. In this qualitative study, based on numerous surveys and interviews, an attempt on global ethical guidelines development is focused on basic, straightforward business conduct, with consideration of human rights issues and legal requirements. The outcomes recommend an implementation of global organizational communication of ethics in the engagement (or denial) of ethical dilemmas in the global workplace. Ethical concept, particularly when it comes to cultural variety, is often a voluntary acceptance of common good standards and ethical guidelines.

Codes of Ethics and Employee Integrity

Integrity distinguishes desirable entrepreneurial prospects from questionable business opportunities. It is an aspect that is of equal importance to managers, organization, as well as closely associated stakeholders. Kaptein (2003) discusses the typical elements of the employee of integrity. The diamond of managerial integrity includes two layers: the manager him or herself is a person, a person of integrity, and he or she stimulates the development of employee integrity. This quantitative study measures the influence of management integrity on employee ethical behavior and confirms that ethical practices and representations need to initiate from a corporate management and need to reflect on understanding and acceptance of regular employees. The influence of management integrity is measured by collecting quantitative data (survey instruments) from number of organizations involving employee behaviors and attitudes. The influence of management integrity on employee behavior was specifically measured by collecting documentation on number of instances where management ethics directly impacted either ethical or unethical employee professional representation.

The influence of professional ethics on corporate leadership style is highly dependent on the ethical climate established within each organization. Philanthropic institutions with effective ethics programs and policies identify preferred values and make certain that organizational behaviors are aligned with those values (Fulmer, 2004). The positive influence of well-balanced, ethical environment creates a constructive impact on corporate leadership style. The balanced ethical climate was measured by evaluating the corporate code of conduct documentation, its implementation and effectiveness. Additionally, all staff training on business ethics was considered in examining the company ethical environment status. The leadership style, in this study, was evaluated based on the transactional and transformational leadership characteristics.

An influence of ethical climate on individual leadership style was explored by the use of survey instruments in approximately 80 mission-driven institutions (Fulmer, 2004). Based on this quantitative study, the significance of ethical theories interpretation, the integrity of corporate management, and the compliance with stakeholder issues are the ethical climate measurement units and are positively reflected in the implications for nonprofit business governance. Pearson correlation coefficient was used to measure the positive relationship between the two variables, reflecting the influence of ethics programs and the effectiveness of philanthropic leadership. Additionally, since most mission-driven organizations manage restricted funds entrusted in them by governmental agencies and local communities, highly principled and ethical leadership is essential to successfully carry on their corporate mission and vision.

Although, many organizations now require employees to state their values and their integrity, the companies only demand certain types of honesty and dedication, specifically those that relate to corporate hierarchy and financial results (Pinchot & Pinchot, 1997). This challenge presents a common problem and managerial dilemma where organizations are demanding less than full integrity when these aspects of a person are viewed as distractions to the focus on the bottom line. This quantitative study measures a relationship between the level of ethical compliance and organizational profitability. Survey instruments, collecting information regarding the levels of financial disclosure, were employed to examine the possible effect of disclosure limitation on companies' financial health. The process involved correlation analyses between the independent variable (corporate integrity) and the dependent variable (financial position). In certain instances, employees discovered that unethical behavior may be rewarded; however, true values are forgotten. This type of behavior may have very damaging, long-term effect on the organization and its future.

The connection and correlation between employee professional behavior and organizational ethics appears to vary according to geographical regions. Important variations in access to corporate ethics and employee integrity are associated with demographics, giving rise to profound ethical concerns (Reichert, Webb, & Thomas, 2000). Their study examined the ethical drivers underlining the existence and use of corporate codes of ethics and their impact on employee professional behavior. An influence of ethical policies on individual integrity was explored by the use of survey instruments in approximately 220 organizations nation-wide. Pearson correlation coefficient was used to measure the positive relationship between the two variables, reflecting the influence of ethics policies and the results of employee integrity in a workplace.

A study by Rucker (2003) suggests that a relationship between organizational ethics policies and employee integrity fluctuates according to individual industries. Individual organizations handle various levels of sensitive material, including confidential information, intellectual property, and numerous financial resources. The purpose of this study was to explore the fluctuation of a relationship between corporate ethics and employee representation based on an industry of individual firms. The study demonstrated results suggesting various levels of correlation between codes of ethics and employee integrity in various corporate fields. This quantitative research measured, specifically, a correlation between the two variables in approximately 160 organizations from 4 different industries – financial, information technology providers, insurance providers, and public accounting.

Berry, Sackett, and Wiemann (2007) integrity testing included Personality-Oriented tests and Overt Integrity tests. Overt testing involves request for admission of theft and other wrongdoings. Commonly used test of this nature of measuring integrity include the Personnel

Selection Inventory (PSI), the Reid Report, and the Stanton Survey. Integrity measurements are performed by analyzing data from collected survey documents or by conducting participant interviews.

Integrity testing began as an attempt to detect dishonesty in job applicants and still remains to be used on the prediction of counterproductive work behavior (CWB) (Berry et al., 2007). Integrity tests were generally very helpful to predict most CWBs in various workplaces and across different industries. Although, integrity tests are typically designed to predict CWB, they have been also helpful in predicting job performance. Integrity testing was specifically used in measuring applicants' honesty in a bank teller job application process. Participants who received the five-point scale version rated the integrity test as fairer ($d = 1.22$) and more face valid ($d = 0.58$), and felt they have performed better ($d = 1.03$). Thus, it appears that five-point response formats may be viewed more positively than true-false formats (Berry et al., 2007). Some of the most important work related to advancing the knowledge of integrity tests deals with the constructs underlying the integrity test. Since integrity tests are not interchangeable, a particularly useful recent approach has been to examine integrity tests at the item level by pooling items across multiple integrity tests. Findings of Berry et al. (2007) study demonstrated that integrity tests correlate substantially with conscientiousness, agreeableness, and emotional stability. The strongest correlation was with conscientiousness. Other findings suggested that integrity tests are unrelated to cognitive ability and generally do not produce strong negative reactions.

Perception of Professional Conduct by Organizational Stakeholders

Corporate social responsibility is a vital part of the ethical representation and an image of

each institution. Strategic and moral motivation for corporate social responsibility is a study that examines the relationship between management's view on corporate social responsibility (CSR) and firms' actual CSR efforts (Graafland & Bert van de Ven, 2006). Organizations have different reasons for developing and implementing CSR policy. First, company executives are pressured to comply and to satisfy the needs of corporate stakeholders. Then, organizations are more likely to contribute to CSR if they believe CSR pays off in the long run. The study suggests that the moral motive, addressing CSR as moral duty of companies toward society, induces a stronger involvement in CSR than the strategic motive, which supports the notion that CSR contributes to the financial success of the company in the long run. The study tested, using quantitative methodology, the hypothesis that a positive strategic and moral view on CSR stimulates companies to undertake CSR efforts. The sample consisted of 111 companies, measuring, by the use of survey instruments, an adaptation of CSR policies and adherence to these ethical efforts. The survey results supported the conclusion that a majority of respondents have a positive view on CSR in both, strategic as well as moral dimensions. These finding also support the ethical aspects of employee relations and the use of instruments to integrate CSR in the company strategic planning process.

Yeoh (2007) claims that certain corporate executives go beyond the required mandatory standards for environmental and social issues. These organizations often proceed to benefit from the integration of the Corporate Social Responsibility (CSR) policies and practices with their corporate strategic plans and actions. Other institutions also established effective partnerships with not for profit organizations to co-create businesses that will benefit their bottom line. In many instances, the purpose of the CSR policies and practices is to establish positive public relation image and to support their revenue sources. The true purpose for CSR is frequently

neglected. Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

Corporate stakeholders point directors to the need to evaluate CSR items in their decision-making framework (Yeoh, 2007). Strategic planning and decision-making process include the CSR evaluation, because empirical observations discovered that voluntary CSR reporting is not working well. This qualitative study evaluates the vital issues of good corporate citizenship, based on research interviews with number of company executives. The research approach intends to measure, through extensive contact with corporate management and staff, the impact of CSR on corporate effectiveness. An implementation of the study measurements is being conducted by reviewing the relationship between individual corporations and their major stakeholders. This research results suggest that corporate directors can and should look beyond the potential implications of these provisions and integrate them into the company's overall business management strategy. Typically, organizations do realize that shareholder satisfaction is no longer the only prerequisite to corporate success, but all stakeholders, including local communities need to be included in firms' operating decisions.

The influence of business ethics, within a corporate culture, involves the way business is conducted, engaging the entire philosophy of work. The not-for-profit industry, in particular, becomes a center of attention with regards to moral practices and professional conduct. Charitable, health-related, and educational efforts of philanthropic institutions give additional evidence of the widely accepted view that corporations do have moral duty to advance the public welfare. The implications of stakeholder theory for leaders, in the not-for-profit world, starts with the way senior management perceives professional activities in every day business

environment. In this qualitative research study, the leader's role is to channel the employee potential to achieve organizational ambition in ways that liberates individual imaginations and judgment. Ethical policies provide necessary assistance for business leaders to set appropriate directions for all staff and guide the organization through the decision-making process. In addition, most charitable organizations must demonstrate global business citizenship, involving close suppliers, vendors, and local communities. This study explored and measured the effect of ethical leadership on the staff and the success of the organization in general. The leadership influence was measured by collected data from various organizational members, representing the degree of management conviction on its followers' task execution. The research analyses exhibited that employee response tends to reflect positive reaction if corporate management decision-making engaged ethical conduct. Study conclusions further reveal that today's executives face great challenges because of the demands and expectations of corporate stakeholders are increasing, while the availability of discretion to achieve many objectives is on decline (Logsdon & Wood, 2005). Corporate leaders are being pressured to meet high performance quotas, and, at the same time, to adhere to ethical guidelines and policies while attaining imposed tight deadlines. These pressures often come from within the organization as well as from outside entities, including the institution's major stakeholders.

In today's dynamic, global economy corporate mergers, acquisitions, and management buyouts are no longer isolated incidents. Leveraged management buyouts (LMBO's), according to Jones and Hunt (1991), have become common occurrences in current business environment. On the surface, since they benefit both, the managers and the stockholders, LMBO's seem ethically sound. Closer analysis; however, reveals several ethical problems, particularly regarding a short term gain versus a long term effect with an inclusion of a lack of corporate

social responsibility. Not only company employees, but entire communities may be hurt when plants are closed; their infrastructure may be wasted. A precise measurement of the losses taken by non-shareholder corporate constituents is difficult to provide; however, it is evident that ethical analysis that ignores the impact of LMBO's on non-shareholder corporate constituents is seriously deficient.

Modern corporations have their roots firmly fixed in concepts associated with community, society, and public interest (Starck & Kruckeberg, 2003). Global environment and international competition set a ground for powerful corporations making decisions affecting large numbers of people, who are essentially their stockholders. The impact of the increasingly powerful transnational institutions must be considered in light of their effect on society and their potential threat to democracy. Since the most important stakeholder to every corporation is the society itself, as a result, a professional ideology must emanate from which social values can be identified and subscribed to by practitioners, embraced by practitioners' organizations and communicated to and reconciled with their organizations' stakeholders. In conclusion, the study examined the societal role of corporations with a focus on social responsibility and the role of public relations. The measurement of corporate ethical conduct effort impacting major stakeholders involves an examination of the degree of corporate success. The corporate success was measured in correlation with an organizational standing within local communities. Public relations' best hope for contributing to social responsibility is by influencing organizational culture through communication to help affect behavioral outcomes.

Summary

The concerns and challenges of complying with organizational ethics attracted great deal of attention in recent years. There was a significant review of ethics policies, and many researchers demonstrated endless efforts in analyzing the causes of unethical code of conduct. However, the connection between codes of ethics and a perception employee professional integrity has not been significantly explored. This research study is designed to do just that, a thorough examination of on the relationship between codes of ethics and employee professional honesty and representation within various organizations in the not-for-profit sector.

Not-for-profit organizations have the responsibilities to the public and the clients they serve, and their ethical performance needs to become precedence for their activities. The leadership responsibilities are often reflected in the substance of stakeholder ethics theory, which requires balanced consideration for all close associates as well as effective management skills for the benefits of all individuals and entities involved. Corporate leaders with strong ethical principles and passion for their beliefs possess a constructive impact on the business their organizations engage in and on the teams and employees implicated in the process. Our businesses, in recent decades, experienced a major economical and social development. The focus on shareholder interests only is no longer acceptable. The environmental interdependence between all businesses, for-profit as well as not-for-profit sector and all stakeholders is essential element of business survival today.

CHAPTER 3. METHODOLOGY

Introduction

An examination of the relationship between codes of ethics in the not-for-profit organizational environment and a perception of employee integrity comprises this study. The study also tested how the relationship between codes of ethics and perception of employee integrity may change based on geographical region and the industry type of not-for-profit organizations. An analytical research approach and fixed research design was implemented for this study. A quantitative research method was used to answer the research questions. The advantages of using fixed design are the clear specifications about what was needed to carry out the professional standards. Since fixed design is closely connected to quantitative data and statistical analysis, it is also considered to possess scientific status (Mazen, Hemmasi, & Lewis, 1987). The combination of quantitative method, analytical approach, and fixed research design was determined to be the most appropriate methodology for this study. The survey research documents were distributed to study participants, without any influence of the researcher. Fixed research design also allows for thorough preparation ahead of the actual research process.

The pragmatic assumptions of the analytical approach about the quality of reality are that reality has summative beliefs which mean that the whole equals to the parts of the sum (Yeoh, 2007). The strengths of the quantitative methodology, and therefore this study, are supported by the logic and mathematics and are not subject to sensory illusions. Substantial part of this research project was supported by hypothesis testing, which was a proposition or a condition assumed in order to draw logical consequences. The fixed design seemed to be the optimal match for the use of quantitative method and the analytical approach, provided that its scientific

characteristic is carried out in a systematic, well-planned fashion.

Research Design

This study reviews organizational codes of ethics and explores their relationship with overall employee integrity in the not-for-profit business sector. The study also tested for differences in this relationship based on the region a not-for-profit organization is located and the industry type of not-for-profit organizations. The motivation for this study is a lack of professional ethics in not-for-profit institutions (Lewis, 2007). The research problem is to examine if a relationship between codes of ethics and the perception of integrity of employees in not-for-profit organizations. This was a survey-based study. The tools that were used for data collection consisted of mailed-in, self-administered questionnaires, which were separated into two parts: questions related to ethics codes and questions pertaining to the perception of employee integrity. The questionnaire utilized a five-point Likert Scale.

Self-report research ensures the collection of standardized, quantifiable information from a particular sample of population. According to Hite, Belizzi, and Fraser (1988), survey instrumentation is typically implemented as a method of administering questionnaires. Alreck and Settle (1985) claim that survey instruments are appropriate and effective when following conditions are present:

1. Researcher's confidence in respondents being willing to provide information through this method of data collection.
2. When the information provided is in a form to be used in a survey process.
3. When the sample size is adequate for the intended measurement.
4. When the sample covers adequate geographic area.

This study complied with all the above required criteria for survey research using mailed-in questionnaires.

The relationship between the codes of ethics and a perception of employee integrity in not-for-profit organizations was tested by correlation analysis. The study also tested for a correlation between the independent variable, codes of ethics (existence of codes of ethics) and the dependent variable (perception of employee integrity). The first part of the questionnaire represents the independent variable and the second part reflects the dependent variable. The first hypothesis (Ha1 and Ho1) tested whether the relationship between the two variables exists. The Ho1 (null hypothesis) assumes that there is no relationship between the variables. The study also included a development of frequency distribution tables, representing the average scores of the Likert scale in the first part of the questionnaire (codes of ethics) compared to the average scores of the second part of the questionnaire (perception of employee integrity). These scores reflected the level of response for groups of statements in each part of the survey document. In addition, the Pearson's correlation coefficient was computed to describe the strength of the linear association between variables measured at the interval level. The relationship between variables is considered significant if the confidence is at the level of 0.05. Furthermore, a Scatterplot diagram was developed to determine whether there are cases that have unusual combination of values for the two variables (Norusis, 2006). Possible challenges in this research process could be eventually reflected by the data collection technique. Just as in most questionnaires, substantial concerns of this study include the level of honesty reflected in the responses and the survey instruments response rate.

The second hypothesis (Ha2 and Ho2), for this study, tested whether the relationship between the codes of ethics and employee integrity varies according to different geographical

regions (eastern, western, and midwestern) in United States. The Ho2 assumes that the relationship between the two variables does not vary according to a geographical region in U.S. According to Reichert, Webb, and Thomas (2000), demographics do play a role in measurement of the level of relationship between organizational ethics and employee professional behavior. The third hypothesis (Ha3 and Ho3), for this study, tested whether the relationship between the two variables varies according to a specific industry in the not-for-profit sector. A study by Rucker (2003) suggests that individual industries do influence the relationship between organizational codes of ethics and employee professional behavior. The Ho3 assumes that the relationship between the two variables does not exist according to a specific not-for-profit industry.

The research methodology appropriate for this study involves an analytical approach. This approach assumes the reality to be objective and the parts, which are explained by verified judgments, equal to the whole (Murphy, 2005). An important match between this method and the research study is the process of collection of data about objective reality, where the data collection is controlled by hypothesis that is by possible descriptions and explanations formulated at the beginning of the study. The research design in this paper uses the quantitative method, which is widely accepted to establish reliability and validity. The dominance of questionnaires as data collection tools also suggests a leaning toward positivism and quantification in knowledge creation. This research study involved hypotheses testing to assess a relationship between the dependent and independent variables. A substantial amount of research has gone into developing new types of integrity tests (Berry, Sackett & Wiemann, 2007). Some of these tests, such as conditional reasoning tests seek to measure integrity, through survey documents or participant interviews, from new theoretical perspectives. Other test, such as

biodata, forced-choice measures, and voice-response measures, seek to create prototypical integrity test using new formats.

Instrumentation

The data was collected by using self-administered, mailed-in questionnaires. The survey instruments consisted of two sections, each representing one of the two variables for Hypothesis 1 of this study. The first section includes questions regarding the level of establishment of codes of ethics in each organization. This section reflects the independent variable of the study. The questions are structured to define the existence and enforcement of codes of ethics within a not-for-profit institution. The responses to these statements measured the degree of establishment and guidance of codes of ethics to promote a professional conduct within and organization. The statements in the first part of the survey document inquire about the organization's ethics policy. Likert responses were used to create a mean score to measure the existence of a code of ethics.

The second category of the questionnaires contains questions/statements regarding perceptions of employee integrity. This section represents the dependent variable. Most of these questions refer to ethics related to behaviors of employees in a workplace. The score, for Part 2, was evaluated the same way as for Part 1. The questions were answered by a representative of each not-for-profit organization who is familiar with the codes of ethics as well as any employee integrity related behaviors. This person was either a human resource officer or an executive director. These officers are aware of employee ethics related incidents, which are documented and kept in personnel files. In addition, small number of employees, from not-for-profit organizations, was surveyed to test the perception of directors' honesty in answering the survey documents.

The attached questionnaire (Appendix A) was tested in September 2007, in a not-for-profit organization, a private operating foundation, located in Northern California. A total of five employees reviewed the survey document. These employees were represented by high level officers, including the executive director, two vice presidents, as well as two entry-level positions. The feedback regarding the questionnaire was very positive. The reviewers particularly commented on the clarity and effectiveness of individual questions. Several reviewers suggested including more specific, incident related statements, in the second part of the questionnaire, which was completed.

A Likert summated rating scale contains statements that expressed a favorable or unfavorable attitude about business ethics related questions in regards to individual organization. The average scores from the responses to the first 10 questions in the survey, which represent the independent variable, were calculated and compared to the average scores of the second part of the questionnaire, questions 11 to 20, which represent the dependent variable. Correlation of these responses was computed to examine the relationship between codes of ethics and employee integrity. In addition, questions were formulated to solicit opinion on whether the existence and practices of corporate ethical behavior influence employee professional integrity. The respondents were asked to agree or disagree with each statement according to the above mentioned levels. The answers were then added to provide a database for hypotheses testing. The reliability of the survey document was examined by Cronbach Alpha test, using SPSS system, version 11.5. The method consists of mailed-in questionnaires (n = 1,500) to 3 US geographical regions (Eastern, Western, and Midwestern). Questionnaires contain 20 questions/statements; here the first 10 questions are representing the independent variable and the second 10 questions represent the dependent variable. Survey documents are in a form of five-point Likert

scale. Reliability, construct validity, and predictive validity will be assessed using correlation coefficients and analysis of variance techniques.

Data Collection

The researcher mailed all 1,500 questionnaires. The questionnaires were mailed together with self-addressed-stamped envelopes and instruction letters providing a survey introduction and guidance on how to complete the survey documents (Appendix C). The sample of 1,500 organizations was selected by using convenience sampling, obtained from a public online source called Independent Sector (www.independentsector.org). Respondents were represented by a company officer or a director who is familiar with the ethics policies as well as recorded employee integrity related incident cases and by employees who also responded to the integrity related questions. In order to test the validity of measures of honesty, a small number of employees were surveyed to determine if the employees' responses validate the perception of the directors' honesty in responding to this survey.

The data collected represented the existence, understanding, enforcement, and availability of codes of ethics (independent variable) and employee professional integrity (dependent variable) in not-for-profit organizations. The data were analyzed to display a relationship between the variables, as well as the level of this relationship. Results were interpreted to arrive to a conclusion stating whether a correlation between not-for-profit codes of ethics and a perception of employee integrity exists. Furthermore, the study included research limitations and recommendations for future exploration in the area of corporate ethical policies and human behavior with regards to personal integrity. Instructions on how to complete the questionnaires were provided by an instruction letter accompanying the mailed-in questionnaires (Appendix C).

The instruction letter introduces the researcher, and it explains the need for this study. It provides guidance for the survey completion as well as instructions for the return of the questionnaire in enclosed self-addressed-stamped envelope.

Sampling Procedures

A convenience sample of 1500 not-for-profit organizations was selected from publicly listed institutions online. These organizations are found in the members' area of the Independent Sector website (www.independentsector.org). The sample consisted of eastern, western, and midwestern regions of the United States. The intention in this study, and the selection of various geographical regions, is to reflect the true representation of the not-for-profit organization population in the United States. The geographical mix helps to replicate this objective.

Five hundred organizations publicly listed in the eastern region of U.S. were added to the total pool of 1500 not-for-profit organizations. Similarly, 500 organization listed in the western region were added to the total. Then, 500 organizations listed in the midwestern region were added to the research sample as well. The geographical allocation is based on the Osterhoff (1999) statement that majority of not-for-profit institutions are located in the eastern and western parts of the United States. The sorting of the not-for-profit organizations into specific geographical regions was performed according to their physical addresses listed in the Independent Sector website (www.independentsector.org). Osterhoff (1999) also claims that most not-for-profit organizations in the United States fall into a midsize organization category with operating budget \$8-12 million annually and with 35 to 50 full-time equivalent employees.

Self-addressed, stamped envelopes containing the questionnaires and instruction letters were sent to all participating organizations. In order for the sample to be a true representative of

the population, the selected organizations reflected medium size institutions from all three regions. All sampling information was prepared ahead of the actual research process, according to the fixed research design guidelines. Since the selection of the total pool of 1,500 not-for-profit organizations represented the first organizations from each geographical region, the individual industries were sorted from the sample of each geographical region. Every organization is represented by a website which reflects the particular not-for-profit industry. These industries will fall into four categories, public charities, foundations, educational institutions, and other miscellaneous industries.

Data Analysis

The relationship between variables was evaluated on two levels. The first null hypothesis in this study suggests that there is no relationship between the corporate code of ethics and a perception of employee professional integrity in a not-for-profit business environment. In the second and third hypotheses the differences between the geographical regions and the individual industries in not-for-profit organizations was tested. The alternative hypothesis reflected a correlation between codes of ethics and a perception of employee integrity in not-for-profit organizations.

Ha1: There is a relationship between codes of ethics and a perception of employee professional integrity in not-for-profit organizations.

Ho1: There is no relationship between codes of ethics and a perception of employee professional integrity in not-for-profit organizations.

Ha2: The relationship between codes of ethics and a perception of employee professional integrity in not-for-profit organizations varies according to a

geographical region (eastern, western, and midwestern) in United States.

Ho2: The relationship between codes of ethics and a perception of employee professional integrity in not-for-profit organizations does not vary according to a geographical region (eastern, western, and midwestern) in United States.

Ha3: The relationship between codes of ethics and a perception of employee professional integrity in not-for-profit organizations varies according to an industry in the not-for-profit sector.

Ho3: The relationship between codes of ethics and a perception of employee professional integrity in not-for-profit organizations does not vary according to an industry in the not-for-profit sector.

After the survey documents were completed and collected, the data was analyzed using Statistical Package for Social Sciences (SPSS), version 11.5 for Windows XP. The data analysis for the first hypothesis was a computation of Pearson's correlation coefficient. For the hypothesis testing, the level of significance was 0.05. Descriptive statistics were also calculated for means, standard deviation, and ranges of each variable. The hypothesis for differences (H2 and H3) was tested by factorial analysis of variance (ANOVA). The factorial ANOVA measured whether the combination of independent variables in H2 and H3 contained any significant variances. This study used 3 x 3 ANOVA testing different levels of independent variable according to geographical regions and various industries of not-for-profit organizations.

However, every measurement contains potential drawbacks. Some of the drawbacks may include reluctant and inconsistent responses, respondents' fatigue, anxiety, impatience, or variation in mood. The scale, used for this research project, was a summated rating scale called Likert scale. Likert summated rating scale contains statements that express favorable or

unfavorable attitude about a particular object or interest (Cheng et al., 2006). These responses may be illustrated in several levels. The respondents were asked to agree or disagree with statements regarding codes of ethics existence and enforcement and professional integrity incidents. The answers had assigned a numerical score of favorableness, and the scores were then added to evaluate the participant's overall attitude. The data of the Likert scale are intervals, measuring the concept of equality, the scale distance between individual attitudes.

Summary

The purpose of this research study is to determine if a relationship between not-for-profit codes of ethics and a perception of employee integrity exists. This research study was conducted in the area of professional ethics, using quantitative methodology and the fixed, survey-based research design strategy within the not-for-profit industry. Hypothesis testing was also performed to assess a relationship between the dependent and independent variables. The testing included a correlation between the not-for-profit codes of ethics and overall employee integrity, where the corporate ethics represent the independent variable and the employee honesty the dependent variable. The null hypothesis assumed no relationship between the two variables, where alternative hypothesis reflected the opposite. The research questions, for this project, suggest an exploration of a not-for-profit business dilemma related to the overall professional integrity and not-for-profit ethics policies. When interpreting correlation, it is important to realize that correlation coefficient of any significance does not imply causation (Fulmer, 2004). The issue affecting interpretation of coefficients concerns practical significance, meaning that even if coefficient is statistically significant, it must be practically meaningful. All organizations, regardless of their size, location, or industry, have the responsibility to encourage ethical

behavior. The intention of this study is to identify whether there is a positive correlation between the codes of ethics and the employees ethical behavior, as well as to measure the level of relationship between the two variables in the not-for-profit work environment.

CHAPTER 4. DATA COLLECTION AND ANALYSIS

Introduction

This study tested a relationship between the effectiveness of codes of ethics and the perception of individual professional integrity in not-for-profit organizations. Specifically, it examined whether there is a relationship between the existence and practice of business ethics and professional employee integrity. The variables tested in this study were not-for-profit organizations' codes of ethics and the perceptions of employees' integrity in not-for-profit organizations in United States. The information was accumulated in a form of a mailed-in survey instrument from 147 not-for-profit organizations.

The project was performed by implementing quantitative research methodology, analytical approach, and fixed research design. Hypothesis testing was conducted to evaluate the level of the relationship between the two variables, as well as evaluating if a relationship between the variables was different based on US geographical region (East, West, or Midwest) and based on a type of a not-for-profit industry (Charitable Organizations, Private Foundations, Educational Facilities, or Other Organizations). This study involved an evaluation of codes of ethics in the not-for-profit sector and the correlation of the codes of ethics and a perception of employee professional honesty. The sampling was performed by postal mailing self-administered survey instruments to 1,500 not-for-profit institutions located in Eastern, Western, and Midwestern regions of the United States.

Respondents' Demographics

Of the 1,500 in the sample, 147 (9.8%) not-for-profit institutions responded, consisting of

47 charitable organizations, 54 private foundations, 32 educational facilities, and 14 other organizations. The participants' demographics are shown in Table 1.

Table 1. Respondent Demographics by US Region and Type of Organization

	<u>Eastern US</u>	<u>Western US</u>	<u>Midwestern US</u>	<u>Total</u>
Charitable Organizations	17	22	8	47
Private Foundations	21	16	17	54
Educational Facilities	15	10	7	32
Other Organizations	<u>6</u>	<u>7</u>	<u>1</u>	<u>14</u>
	59	55	33	147

Most respondents represented private foundations. The Eastern region of the United States had the highest participation.

Hypothesis and Statistical Analysis

Frequencies

For hypothesis 1, Table 2 represents the first part of the survey, codes of ethics in not-for-profit organizations (independent variable), which describes average scores of the Likert Scale questions, per organization among the 147 organizations. This statistic measures the average rate of responses regarding the existence, availability, and communication of the codes of ethics in not-for profits organizations. The survey used a five-point Likert Scale. Participants answered a series of questions, including whether their organization adheres to codes of ethics and how the

code of ethics is communicated to all employees.

Table 2. Codes of Ethics, Independent Variable Descriptive Statistics

N	Valid	147
	Missing	0
Mean		3.992
Median		4.300
Mode		4.4

Table 3, shows the descriptive statistics for perception of professional integrity among the 147 participating organizations. Professional integrity (dependent variable) represents the second part of the survey questionnaires. Participants were asked whether their employees comply with codes of ethics, reflecting the level of integrity in a workplace.

Table 3. Perception of Employee Integrity, Dependent Variable Descriptive Statistics

N	Valid	147
	Missing	0
Mean		3.817
Median		4.100
Mode		4.2

Descriptive Statistics

Table 4 below lists the means and standard deviations, for each part of the questionnaire, not-for-profit organizational codes of ethics and the perception of professional integrity. Both parts display similar means, which indicates that the questions were answered in a similar manner by majority of the organizations and that the degrees of the first part of the questionnaires (codes of ethics) corresponded to similar degrees in the second part of the questionnaires (perception of professional integrity).

Table 4. Statistical Summary of Dependent and Independent Variable--All Organizations

	<i>N</i>	Mean	Std. Deviation
Codes of Ethics	147	3.992	.9021
Perception of Employee Integrity	147	3.817	.8235

Correlation

For hypothesis 1, the Pearson Correlation was used to test the strength of the linear association between variables measured at the interval level. The Pearson Correlation Coefficient was calculated using the actual data values. Since both, codes of ethics and a perception of professional integrity reflected a correlation coefficient of .843 and is significant at the .01 level, the relationship between the two variables is strong and positive correlation (Ravid & Haan, 2008) between the corporate codes of ethics and a perception of individual employee integrity.

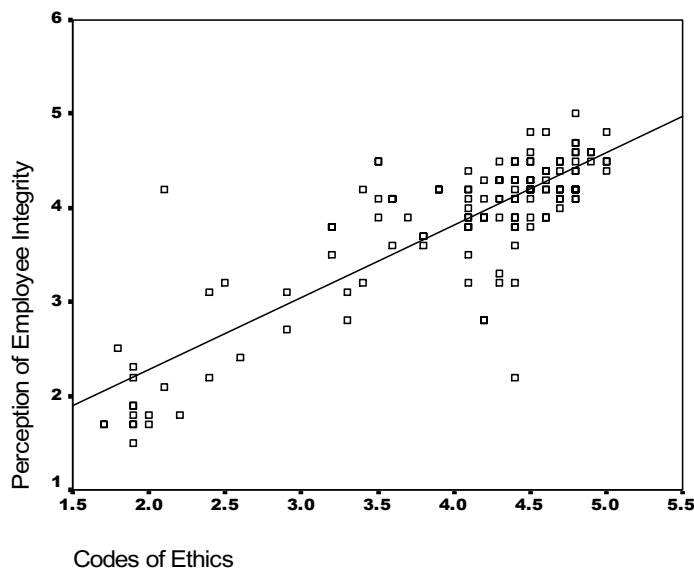
Table 5. Pearson Correlation Coefficient

		Codes of Ethics	Perception of Employee Integrity
Not-for-Profit codes of Ethics and Perception of Individual Employee Integrity	Pearson Correlation	1	.843(**)
	Sig. (2-tailed)		.000
	Covariance	.814	.626
	<i>N</i>	147	147

** Correlation is significant at the 0.01 level (2-tailed).

Scatterplot diagrams helped to determine whether there are cases that have unusual combinations of values for the two variables (Norusis, 2006). In this study, there were not any cases that were far removed from the overall pattern. The two variables, codes of ethics and perception of professional integrity are linearly and positively related, since in the scatter plot the points cluster around a straight line, in an upward direction.

Figure 2. Scatter/Dot Diagram



Null Hypothesis 1 states there is no relationship between codes of ethics and a perception of employee professional integrity in a not-for-profit business environment. Since both, codes of ethics and a perception of professional integrity reflected a correlation coefficient of .843 and a significant of .01 level the relationship between the two variables is positive, strong and significant at $p < .01$ level (Ravid & Haan, 2008). This suggests there is a strong, positive correlation between the codes of ethics and a perception of individual employee integrity. Therefore, the Null Hypothesis 1 is rejected.

Analysis of Variance

Hypotheses 2 and 3 were tested by using a 3 x 4 factorial Analysis of Variance (ANOVA). This statistical method examines the variability of the sample values, specifically how much the observations within each group vary, and how different the group means are. The null hypothesis tested by the factorial ANOVA for H2 and H3 is that the relationship between business ethics and the perception of employee integrity does not vary according to US geographical regions or according to by not-for-profit industries in the United States.

Table 6. Univariate analysis of variance, between-subject factors

<u>Dependent Variables</u>		<u>N</u>
Region	Eastern	59
	Western	55
	Midwestern	33
Industry	Public Charities	47
	Foundations	54
	Education	32
	Other Institutions	14

Table 8 displays the differences in perception of employee integrity (dependent variable) in not-for-profit organizations based on geographic regions and types of not-for-profit organizations. Null Hypothesis 2 assumes that a relationship between codes of ethics and the perception of employee professional integrity in not-for-profit organizations does not vary according to a geographical region (eastern, western, and midwestern) in United States. The perception of employee integrity in not-for-profit organizations according to geographic regions and the not-for-profit codes of ethics demonstrate significance of variance, 0.301. Therefore, the null hypothesis was not rejected, meaning that the relationship between the perception of employee integrity and the codes of business ethics does not vary according to geographical

regions.

Null Hypothesis 3 assumes that a relationship between codes of ethics and the perception of employee professional integrity in not-for-profit organizations does not vary according to an industry in the not-for-profit sector. The significance of variance for perception of employee integrity, according to the type of the not-for-profit organizations 0.003, and therefore, the null hypothesis is rejected. This demonstrates that the relationship of the perception of employee integrity and the codes of ethics does vary according to the type of the not-for-profit industry.

Table 7, Tests of between-subject effects, dependent variable, and perception of employee integrity

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	15.088(a)	11	1.372	2.206	.017
Intercept	1105.879	1	1105.879	1779.006	.000
Ethics by Region	1.507	2	.754	1.212	.301
Ethics by Industry	9.019	3	3.006	4.836	.003
Ethics – Regions*Industry	2.285	6	.381	.613	.720
Error	83.920	135	.622		
Total	2240.730	147			
Corrected Total	99.007	146			

A R Squared = .152 (Adjusted R Squared = .083)

The covariation between the variables is not significant (level of significance 0.720). The Pos Hoc Bonferroni test evaluates the mean differences and the level of significance of the perception of employee integrity between the individual types of not-for-profit organizations. The significant differences in the employee perception of integrity with regards to the type of not-for-profit organizations are between public charities and educational institutions as well as public charities and other not-for-profit institutions.

Summary of Results

The purpose of this survey was to assess whether there is a relationship between the not-for-profit codes of ethics and the employee professional integrity. The testing involved 147 organizations evaluating the relationship between two variables. Each questionnaire included 20 questions and five-point Likert Scale answers. The first part of the questionnaire represented the codes of ethics in not-for-profit organizations. Respondents were evaluating the existence of codes of ethics and the degree of implementation of codes of ethics in not-for-profit organizations. The second part of the survey reflected a perception of professional integrity. In this second part, respondents evaluated the degree of employee honesty in a workplace.

For Hypothesis 1, the null hypothesis was that there was no relationship between organizational codes of ethics and employee professional integrity. The null hypothesis (Ho1) was rejected. The correlation analysis suggested that there was a linear relationship between the codes of ethics and employee professional integrity. The correlation coefficient of 0.843 and the level of significance of 0.000 yielded R-Square of 0.711 of the variability in individual cases of perception of employee integrity issues is strongly related to the existence and practice of codes of ethics. For hypothesis 2, the null hypothesis was that the relationship between codes of ethics and a perception of employee professional integrity in not-for-profit organizations does not vary according to a geographical region (eastern, western, and midwestern) in United States. The perception of employee integrity in not-for-profit organizations according to geographical regions and the not-for-profit codes of ethics demonstrated high significance of variance, 0.301. The null hypothesis was not rejected, suggesting that the relationship between the perception of employee integrity and the codes of business ethics does not vary according to geographical regions. For hypothesis 3, the null hypothesis was that the relationship between codes of ethics

and a perception of employee professional integrity in not-for-profit organizations does not vary according to the type of not-for-profit organizations. The significance of variance for hypothesis 3 is low, 0.003, and therefore, the null hypothesis was rejected. This demonstrates that the relationship of the perception of employee integrity and the codes of ethics does vary according to the type of the not-for-profit industry.

CHAPTER 5. RESULTS, CONCLUSIONS, AND RECOMMENDATIONS

Statement of the Problem

Over the past several years, corporate ethical debacles have resulted from a combination of poor corporate cultures, indifferent corporate governance, limited board overview, lack of management and employee integrity, and the size of option-based packages. The outcome is a deficiency in business ethical conduct and moral professional representation of corporate officers. Bushko (2003, p. 16) states that a large CPA firm, Delloitte and Touche, produced a report that recommended the following:

1. Companies need to go beyond the minimum standards found in business related legislation.
2. Organizations are obligated to disclose required information with integrity and in its entirety.
3. Well structured, competent corporate governance with uncompromising internal controls.
4. Accounting and financial reporting standards need to be strictly followed and closely monitored by organizational management and by the board of directors.

The items above serve as guidelines and reminders for all organizations that may face any potential ethical dilemmas. The guidelines help to eliminate corporate views of superficial attention to the moral implication of professional ethical behavior (Brammer & Millington, 2005).

The purpose of codes of ethics is to support a culture of openness, trust, and integrity. A well-designed, approved, and implemented ethics policy requires full participation and support

of every member of a business institution. Organizational management is typically responsible for communicating a company code of conduct and assuring that members of an organization accept and understand the corporate standards (Aris, Nykodym, & Cole-Laramore, 2002). According to Stephenson (2007), the majority of not-for-profit organizations are committed to providing accurate, complete and objective information, respecting the confidentiality of financial and other information, acting in good faith, and proactively promoting ethical behavior.

Most studies focus on ethical leadership, ethical climate, and business culture; however, very little has been done in the area of the relationship between established codes of ethics and perceptions of employee integrity. This study explored the influences of not-for-profit codes of ethics on employee perceptions and reflected on employee integrity in a workplace. It measured a relationship between codes of ethics and the perception of employee integrity in the not-for-profit business environment.

Research Question

How are codes of ethics and perception of employee integrity in not-for-profit organizations related? The challenges that today's corporate leaders and not-for-profit organizational executives face in choosing to be moral leaders are extraordinarily complicated. Daily schedules are filled with ethical dilemmas and moral decisions that directly impact their own lives and the professional lives entrusted to them (Starck & Kruckeberg, 2003).

Von der Embse, Desai, and Desai (2004) studied the effect of corporate ethical values and enforcement of a code of ethics on perceptions of the role of ethics in the overall success of a firm. Additionally, the impact of organizational commitment and of individual variables such as ethical idealism was evaluated. The rationale for examining the perceived importance of the role

of ethics was to determine the extent to which organizations and their policies can influence employee perceptions regarding ethics and social responsibility. Results indicated that variables, such as organizational commitment and ethical idealism most affected perceptions of the importance of ethics and social responsibility. Institutions exhibiting greater enforcement of ethical codes typically reflected higher positive perception of ethical values and awareness of corporate social responsibility.

Proposed Hypotheses

The proposed hypothesis used for this study included:

- Ho1: There is no relationship between codes of ethics and a perception of employee professional integrity in not-for-profit organizations.
- Ho2: The relationship between codes of ethics and a perception of employee professional integrity in not-for-profit organizations does not vary according to a geographical region (Eastern, Western, and Midwestern) in United States.
- Ho3: The relationship between codes of ethics and a perception of employee professional integrity in not-for-profit organizations does not vary according to an industry in the not-for-profit sector.

Discussion

Hypothesis 1 was examined to determine if there is a relationship between the codes of ethics and the perception of professional integrity, in a workplace. The results of the data analysis for Hypothesis 1 revealed that there was a positive relationship between organizational codes of ethics and the perception of professional integrity. Organizations with stronger, more

effective codes of ethics experience higher level of employee integrity in their business settings. The Pearson correlation coefficient was 0.843, and since the level of significance is at 0.01, this result indicated a significant relationship between the variables of not-for-profit codes of ethics and a perception of employee integrity.

Over the past several years there were only few studies exploring the influence of professional ethical standards on organizational members, and although, most papers examined the impact of ethical organizational culture on leadership effectiveness, only a few studies investigated the effect on general population in the workplace. Green (1997) states the not-for-profit sector is growing in the U.S. and organizational ethics are becoming a priority in the not-for-profit business environment. This study examined the influence of board of directors' involvement on the ethical representation of the organization. Effectively governed organizations result in greater leadership ethics.

The study of the relationship between codes of ethics and the perception of employee integrity in not-for-profit organizations, on the other hand, examined 147 not-for-profit organizations and analyzed the results reflecting codes of ethics and a perception of employee integrity in the workplace. The results reflected answers of various employees of not-for-profit organizations in contrast with existing literature which primarily focuses on business leadership ethics. The research results clearly indicated that the existence, awareness, and knowledge of codes of ethics positively correlate with the perception of employee integrity. In contrast, Brammer and Millington (2005) state that attention to ethics in professional settings is represented primarily by the organizational leadership, its conduct and its contact with major stakeholders.

Fritz, Arnett, and Conkel (1999) stated that professional codes of conduct represent

corporate policies that reflect business behavior and help to develop a business culture. The study focuses on the effectiveness of corporate policies and its influence on organizational structure and work environment. This study, however, examines a relationship between the codes of ethics and the perception of employee integrity in specific professional setting, in not-for-profit organizations. Management develops policies, helps to set the tone to create a corporate culture, and draws the line for professional behavior. An organizational code of conduct starts with the company executives. Individual integrity, however, is the effect of ethical perception of all members of an organization. Everyone benefits if an institution performs with responsibility, respect, and integrity.

Although many operational aspects of not-for-profit organizations differ in many ways from for-profit businesses, organizational ethics and professional behavior are exceptionally similar (Zablow, 2006). The results of hypothesis 1 indicate the importance of the not-for-profit codes of ethics since the relationship between the codes of ethics and the perception of employee integrity is positive. This information may be used to support the significance of comprehensive codes of ethics document and the reflection of the perception of employee integrity in not-for-profit business environment.

The results for hypothesis 2 suggest that the relationship between the codes of ethics and a perception of employee integrity does not vary according to geographical regions (Eastern, Western, Midwestern) in United States. The expectations were that there may be slight differences in the relationship based on the geographical locations. Based on the Svensson and Wood (2005) study, corporate codes of ethics are often written to reflect the needs of individual stakeholders, particularly a local community. This could indicate that the relationship between the codes of ethics and the perception of employee integrity may vary according to a physical

location of the organization. This study implies that the relationship between the codes of ethics and the perception of employee integrity does not vary according to geographical regions, which suggests that not-for-profit institutions nationwide reflect similar results concerning employee professional behavior in relation with organizational codes of ethics.

Hypothesis 3 tested a relationship between the codes of ethics and a perception of employee integrity in various sectors of not-for-profit organizations. These sectors were represented by charitable organizations, private foundations, educational facilities, and other organizations. The test results indicated that the relationship between the codes of ethics and a perception of employee integrity does vary according to the not-for-profit industry type. These results imply that different types of organizations reflect different answers from participants responding to organizational codes of ethics and employee integrity. These findings may suggest that particular not-for-profit industries reflect higher effectiveness and interpretation, by their employees, of their codes of ethics than other industries. The outcome of this study displays similarities with Malloy and Agarwall (2003) study of factors influencing ethical climate, which reveals findings of fluctuating ethical behavior according to business industries.

The results indicated that there is a clear correlation between codes of ethics and a perception of employee integrity in a not-for-profit business environment. The view proposed by this study provides a framework that enhances an understanding of organizational codes of ethics and how these documents are viewed by individual members of not-for-profit organizations with respect to a perception of employee integrity. One can assume from these findings that well written and documented codes of ethics produce positive correlation with professional ethical behavior (Stephenson, 2007). This is a substantial consequence since, according to Bassiry (2002); most organizations consider ethical conduct to be their top priority.

This study's results also indicate that organizational codes of ethics and perceptions of employee integrity represent a positive relationship that is consistent with respect to various locations of not-for-profit institutions. This suggests that employee responses, regarding codes of ethics, do not vary whether an organization is located on East Coast, West Coast, or in Midwest of the United States. However, employees do respond differently with respect to the industry of the not-for profit environment. This result may indicate that different types of institutions develop and implement different codes of ethics documentation. A study by Andrews (1984) produced similar outcomes, reflecting findings of various levels of ethical standards based on a complexity of ethical policies documentation in diverse professional fields.

This study supports the notion that codes of ethics are designed as a set of ethical and legal principles that guide the organization and its employees regarding decisions and judgments. Positive perception of employee integrity may lead to more effective business relations and a successful business conduct in general (Fulmer, 2004). Ethical behavior of all members of not-for-profit organizations reflects on the institution's image (Phillips-Donaldson, 2003). Managers and staff have full responsibility to their organizations and their understanding of the objective of codes of ethics is often critical for organizational survival (Berry, 2007).

Conclusion

The responses and conclusions from this study show that a relationship exists between codes of ethics and a perception of employee integrity in not-for-profit organizations nationwide. These findings are valuable because they provide important insight into the level of understanding of ethics documentation in organizations of various types and locations. Although creating and maintaining high ethical standards in employee management is an ongoing process,

this study reveals that effective organizational codes of ethics can generate a positive relationship with employee professional integrity. This study utilizes a sample of 147 not-for-profit organizations of various industries and locations in United States, which is a small sample of the not-for-profit business environment; however, it does provide some groundwork for others willing the topic of organizational ethics and individual professional integrity.

Recommendations

Based on the findings and conclusions, several recommendations can be made. A recommendation for future study would include a research of ethical practices for not-for-profit institutions experiencing significant reorganization and innovation. This study should examine ethics policies before and after the change and measure the impact on individual behavior within these organizations. Another recommendation would involve an examination of effectiveness of codes of ethics and their influence on employee professional integrity in profit-driven industries. The research may engage manufacturing, construction, banking, services, and governmental agencies. A study of this kind could provide valuable information in the study of ethics in the variety of business environments.

Recommendations for future practice involve examining the data collected from the participants in this study. The leaders of not-for-profit organizations may want to consider making ethics training an integral part of their hiring process as well as continuous professional education. This recommendation is supported by the outcome of this study, which suggests a positive relationship between codes of ethics and employee professional behavior. This type of education should adhere to ethical standards and set the tone for ethical expectations in a workplace. Another recommendation, based on the answers of the participants in this study,

which referred to the availability and understanding of the codes of ethics, would suggest for organizations to keep their codes of ethics current and to provide for open communication within all channels of the institution. Similarly, a lack of communication of organizational standards and goals may influence employees to lose sight of these goals, particularly during transitions and organizational changes.

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APPENDIX A, SURVEY INSTRUMENT (1)

Page 1

Survey Questionnaire

Codes of Ethics & Perception of Employee Integrity in a Not-for-Profit Organization

To be completed by organization's officer or director

Part I - Codes of ethics, their existence and practice in a not-for-profit organization

	<u>Strongly Agree</u> 5	<u>Agree</u> 4	<u>Neither Agree or Disagree</u> 3	<u>Disagree</u> 2	<u>Strongly Disagree</u> 1
1. Our organization has an ethics document that is readily available to all employees.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. I consider our organization's ethics policies to be up to date.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Our codes of ethics are easy to understand.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Everyone in our organization is strongly encouraged to adhere to ethics policies.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Our ethics policies are updated annually.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Our organization's code of ethics are explained to all employees.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Our organization offers codes ethics training to all employees.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Attention to ethics policies has substantially improved our work environment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Our organization's codes of ethics help to cultivate strong team work.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Our organizations's ethics policies truly reflect positive work environment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

APPENDIX A, SURVEY INSTRUMENT (1)

Part II - Perception of employee integrity in a not-for-profit organization

	<u>Strongly Agree</u> 5	<u>Agree</u> 4	<u>Neither Agree or Disagree</u> 3	<u>Disagree</u> 2	<u>Strongly Disagree</u> 1
11. Our organization has not engaged in any disciplinary actions against employees, regarding unethical behavior in last five years.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Our organization has not experienced any significant issues of employee dishonesty in last five years.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Our employees always comply with our organization's codes of ethics.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. In this organization, no serious breach of ethical conduct, resulting in termination, occurred in last five years.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Our organization does not demonstrate high employee turnover caused by unethical conduct.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. In this organization, no disciplinary action, involving employee theft, was conducted in last five years.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Our organizational ethics training helps to emphasize the importance of staff professional integrity.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. In this organization, there were no instances of confidential data disclosure in last five years.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. Using company property for personal purpose does not occur in our organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. People in this organization strictly follow established organizational ethics policies.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Organization demographics

	Charitable Organization	Private Foundation	Educational Facility	Other	Please Explain
A. Not-for-profit industry type	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
	Eastern Region	Western Region	Midwestern Region		
B. Geographical region	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

Thank you very kindly for participating in this survey.

APPENDIX B, SURVEY INSTRUMENT (2)

Survey Questionnaire

Codes of Ethics & Perception of Employee Integrity in a Not-for-Profit Organization

To be completed by organization's employee

	<u>Strongly Agree</u> 5	<u>Agree</u> 4	<u>Neither Agree or Disagree</u> 3	<u>Disagree</u> 2	<u>Strongly Disagree</u> 1
1. To my best knowledge, this organization has not engaged in any disciplinary actions against employees, regarding unethical behavior in last five years.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. No significant issue of employee dishonesty have occurred in our organization within last five years.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Our employees strive to follow our organization's ethics policies.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. No terminations, regarding unethical conduct, occurred in last five years in this organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. This organization does not have high employee turnover caused by unethical conduct.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To my best knowledge, there was no disciplinary action, regarding employee theft, conducted within last five years in this organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Our organizational ethics training helps to emphasize the importance of staff professional integrity.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To my knowledge, there were no instances of confidential data disclosure in last five years, in this organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Our employees do not use business property for personal purpose.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Employees, in this organization, do follow established organizational ethics policies.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Organization demographics

	Charitable Organization	Private Foundation	Educational Facility	Other	Please Explain
A. Not-for-profit industry type	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Eastern Region	Western Region	Midwestern Region		
B. Geographical region	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

Thank you very kindly for participating in this survey.