

EMPLOYEE PERCEPTIONS OF ORGANIZATIONAL ETHICS PROGRAMS AFTER  
THE IMPLEMENTATION OF SARBANES OXLEY: A LONGITUDINAL STUDY OF  
EMPLOYEES IN THE CONTIGUOUS 48 STATES

by

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## Abstract

The consequences of ethical lapses have resulted in a range of impacts from executives sentenced to prison to the loss of jobs by employees, financial loss for shareholders and perhaps most notable, an erosion of trust in corporate America. This has led to the development of ethics training programs, policies, and in general, increased awareness of and support for ethical behavior. Ethics training programs and stated or restated ethics policies are key elements in organizational governance and provide means to measure ethical behavior. What this research study achieved was to show that there was a general decrease in the perceived awareness of organizational responses to ethical issues across the sample, as well as in many of the categories within the occupation groups and gender from prior to the Enron scandal in 2000 to a period afterward in 2003. The implication of these findings are that while ethical programs may appear be effective due to the decrease in observed violations of ethical conduct, the findings highlighted a decrease in awareness of the existence of written ethical standards and the availability of ethical resources.

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## CHAPTER 1: INTRODUCTION

### Introduction to the Problem

Organizations, now more than ever, face a myriad of complex ethical issues they must address (Brock, 2006). Odom and Green (2003) asserted that corporations in the USA have experienced an expanded set of expectations for ethical business behavior and the ethical conduct of business organizations due to a more informed population, expanded media coverage, and additional regulations. Further, Carlson (2005) cited the issue of recent scandals in the corporate world and the allegations of improper, illegal, and unethical behaviors directed at middle and upper management as evidence of an increase in ethical lapses.

The purpose of this study was to examine changes in the perceptions of ethical issues and organizational responses by organizational members at different levels that have occurred prior to and following the implementation of Sarbanes Oxley legislation. The study period of 2000-2003 includes incidences of corporate misconduct; for example, Enron and WorldCom, and the subsequent passage of Sarbanes-Oxley regulations (SOX).

The SOX regulation represents the first major changes in securities regulations since the stock market crash of 1929 (Zeff, 2005). In 1934, Congress created two major securities acts to restore public confidence in the fairness of the securities market (p. 20).

Congress also created the Securities and Exchange Commission (SEC), giving it the authority to set standards in preparing financial statements (p. 20).

The regulations of SOX, passed in 2002, were also created to restore confidence in organizational financial statements. The purpose was to hold senior executives accountable for the statements made and the accuracy of their financial reporting (Maco, 2002). Restoring confidence in the public perceptions of corporate ethics and enforcing greater transparency is a primary goal of SOX. Many believe that the passage of SOX has increased the awareness of ethical issues in the workplace, including both for-profit and non-profit organizations (Callaghan, Savage, & Mintz, 2007). This study assessed the change in employee perception of ethics programs before and after the passage of SOX.

### Background of the Study

Unethical behavior in the workplace has become a costly problem for business, both literally and figuratively. Security analysts contend that workplace dishonesty cost businesses in excess of \$200 billion in the year 2000 (Kavanagh & Jones, 1996). People within an organization help create and perpetuate the ethical climate, and conversely, can allow unethical behavior to be acceptable. A search of the contemporary literature documents indicated that unethical behavior is a problem in the workplace and ethical programs are being implemented in organizations in order to correct this (Appelbaum, Deguire, & Lay, 2005; Fang, 2006; Lin & Ding, 2003; Su, 2006). This study attempted to assess changes in awareness of ethics issues as a result of expanded ethical programs of a cross section of employees by job category and gender and used data collected from the

National Business Ethics Survey in 2000 and 2003. The survey data examined was collected from people who work in organizations from the 48 contiguous states.

### Statement of the Problem

Ethical lapses, highlighted by the debacles at such powerful companies as Enron and WorldCom, resulted in extraordinary consequences to stakeholders, including employees, shareholders, and others. These consequences resulted in a range of impacts from executives sentenced to prison to the loss of jobs by employees, financial loss for shareholders, and perhaps most notable, an erosion of trust in corporate America. One of the collateral consequences was an emphatic increased emphasis on ethics in the workplace (Verschoor, 2007) prompted by increased attention and focus, but primarily by SOX. This increased emphasis led to ethics training programs and policies and a general increased awareness of and support for ethical behavior. Ethics training programs and stated or restated ethics policies are key elements in organizational governance and provide means to measure ethical behavior. Because a company's ethics programs are a substantial commitment and investment for the organization, a visible change in awareness is expected (Kubal, Baker, & Coleman, 2006). The problem is that there has only been ad hoc assessment of this change, and a more disciplined assessment is needed to attest to the desired effect of these programs and policies.

### Purpose of the Study

The purpose of this study was to explore and ascertain the degree of employees' perception of organizational ethics programs subsequent to passing the Sarbanes-Oxley

legislation. This longitudinal study measured the change in group and subgroup responses to the same questions before and after the Enron scandal. Employees' perceptions of ethics were measured through assessments by the National Business Ethics Surveys 2000 and 2003. For the purposes of this study, ethics issues and organizational programs include written standards, training on those standards, and the availability of ethical resources. The subgroups for this study included occupational categories and gender.

The surveys were chosen in order to test data that was collected just prior to and immediately following the implementation of the Sarbanes Oxley legislation in 2002. Using the data from two national surveys in 2000 and 2003 provided the closest survey data points for the purposes of this study. Later data may have other influences besides SOX.

### Rationale

Ethical conduct by members in an organization is important and many segments of society contribute to the indelible thread of ethics that runs through the fabric of society. Some argue that as the ethics of a society go, so goes the durability and stability of the society (Durkheim & Wilson, 1981; Hendry, 2001). Government, business, organizations, universities, and families are but a few of the influences that contribute to individuals on what is proper ethical behavior (Tsahuridu, 2006). Business was selected for this study because of its pervasive nature in society and the importance of knowing the effect that business has on individuals through the various means at its disposal.

This study was designed to assess the differences in perceived awareness and effectiveness of organizational ethics programs between 2000 and 2003 and the possible

differences existing between occupational groups' perceived awareness and effectiveness of ethical programs. This study intended to provide the foundation for additional research into ethical programs effectiveness in reaching occupational groups and gender.

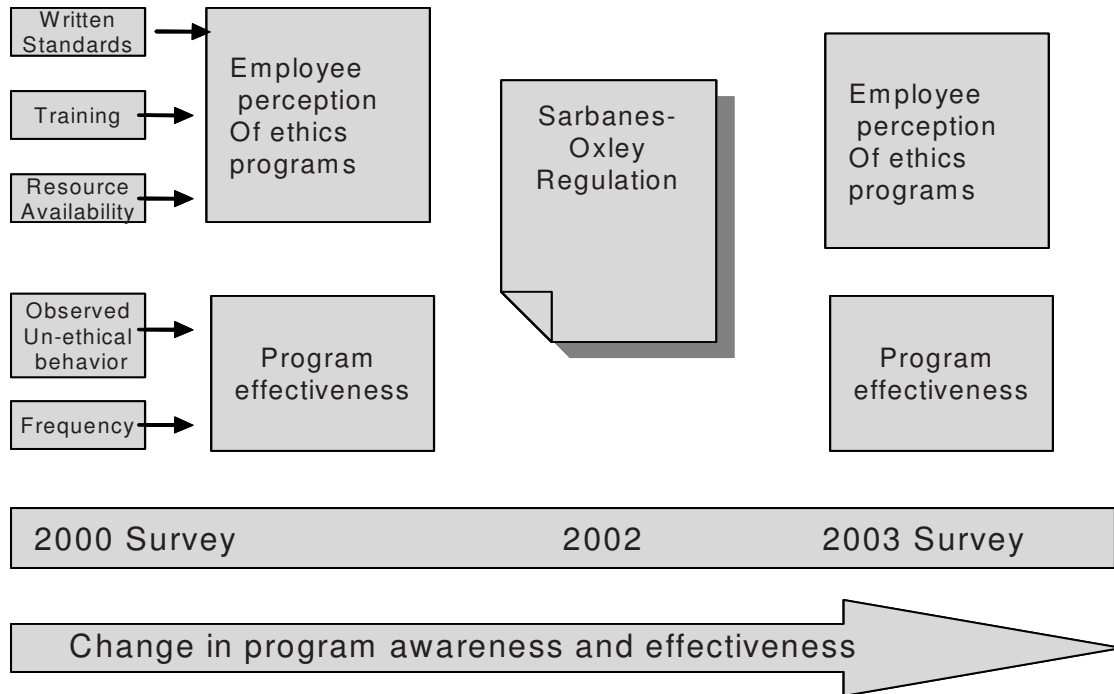


Figure 1. Conceptual framework

### Research Questions

Research has shown that ethical programs can have a significant impact on the ethical conduct of employees (Di Lorenzo, 2007; Nwachukwu & Vitell, 1997; Sandelands, 2006; Trevino, Weaver, Gibson, & Toffler, 1999; Weaver, Trevino, & Cochran, 1999b). Organizational responses to ethical issues generally consist of three

components: (a) written standards, (b) training on those standards, and (c) the availability of ethical resources.

The research questions are:

1. What was the change in the perception of the existence of written ethical standards after the implementation of SOX among occupational groups (professional or technical, administrative or clerical, management, or other)?
2. What was the change in the perception of the existence of ethical training after the implementation of SOX among occupational groups (professional or technical, administrative or clerical, management, or other)?
3. What was the change in the perception of the existence of the availability of ethics resources (help line, ethics office, etc.) after the implementation of SOX among occupational groups (professional or technical, administrative or clerical, management, or other)?
4. What was the change in the perception of program effectiveness after the implementation of SOX among occupational groups (professional or technical, administrative or clerical, management, or other)?
5. What was the change in the perception of frequency of unethical behavior after the implementation of SOX among occupational groups (professional or technical, administrative or clerical, management, and other)?
6. What was the change in the perception of the existence of written ethical standards after the implementation of SOX between male and female employees?
7. What was the change in the perception of the existence of ethical training after the implementation of SOX between male and female employees?
8. What was the change in the perception of the existence of the availability of ethics resources (help line, ethics office, etc.) after the implementation of SOX between male and female employees?
9. What was the change in the perception of program effectiveness after the implementation of SOX between male and female employees?



10. What was the change in the perception of frequency of unethical behavior after the implementation of SOX between male and female employees?

### Significance of the Study

Corporations have spent time and money to implement ethics programs as a result of SOX to improve the ethical conduct of their organizations (Sandelands, 2006). Given that a survey of 161 senior executives who have the primary responsibility for ethics and compliance initiatives reported that only 65% of companies stated that they are reaching all of their employees with ethics and compliance information (Verschoor, 2007), it is important to know if the perception of organizational responses to ethical issues are equal across various occupational groups and whether it changed after the implementation of SOX. The findings of this study shed light on the progress of organizational response and the subsequent legislative efforts to curb lapses in ethical behavior. This study investigated the change in perceptions of organizational responses to ethical issues by various occupational groups longitudinally between 2000 and 2003.

### Assumptions and Limitations

Data from the National Business Ethics Survey (NBES) from 2000 and 2003 was used to measure the perception differences of the awareness of ethical programs and their effectiveness among occupational groups. This study assumed that the survey data was accurately collected, recorded, coded, categorized, and presented and that the responses accurately reflected the respondents' beliefs and perceptions related to the questions. It did not measure the presence or absence of ethics programs and resources within the

individual organizations, but only the participants' perceptions of whether such resources existed. The study measured differences at the group level and as subgroups. Individual participants' changes in perceptions were not tracked. As with any survey, the ERC survey is subject to intentional deception, or respondents may misunderstand a question, causing an inaccurate response. Non-responses to questions or failure to respond to a survey question may produce an error.

### Nature of the Study

This study used secondary data and utilized a quantitative methodology. The secondary data was provided by the Ethics Resource Center (ERC) of Washington, D.C., which conducted both the 2000 and 2003 surveys used in this study. The Ethics Resource Center agreed to provide the data without charge, other than to receive the results of this study. The National Business Ethics Survey (NBES) was conducted as a random household telephone survey of adults who were employed at least 20 hours a week in an organization that employed two or more persons.

### Definition of Terms

*Anomie.* Refers to the loss of standards and values in a person or society, which may lead to the breakdown of the norms and rules of conduct that govern a society (Tsahuridu, 2006).

*Business ethics.* Refers to standards and norms that help employees distinguish right from wrong behavior in their organization ( Ethics Resource Center [ERC], 2003).

*Ethics programs.* Refers to the policies, procedures, and practices of an organization. This includes a written ethics statement, ethics training, and ethical resource availability, such as ethics advice lines or office (ERC, 2003).

*The Sarbanes-Oxley Act of 2002(SOX).* Refers to the legislation that was passed to hold senior executives accountable for the statements made and the accuracy of their financial reporting (Maco, 2002).

*United States Sentencing Guidelines.* Refers to the United States Sentencing Commission Guidelines in Chapter 8 (2006) that made recommendations for effective ethics programs.

#### Organization of the Remainder of the Study

This study is composed of five chapters labeled as Chapter 1, Introduction; Chapter 2, Literature Review; Chapter 3, Methodology; Chapter 4, Data Collection and Analysis; and Chapter 5, Results, Conclusions, and Recommendations. Chapter 2 begins by exploring current literature on ethics in organizations. It then reviews the literature on the Sarbanes Oxley legislation and the United States Sentencing Guidelines as it relates to organizational ethics program development. Ethical behavior and the ethical environment are also reviewed as related to organizations and their ethics programs. The final section of chapter 2 reviews the demographic variables and their application in ethical programs. Chapter 3 addresses the methodology used for this study. Chapter 4 displays the results of the study, including the data tables. Chapter 5 begins with a summary of the results, followed by implications for organizations, and finally recommendations for future research.

## CHAPTER 2: LITERATURE REVIEW

### Introduction

A review of the business ethics literature revealed multiple approaches in the study of business ethics, including a focus on integrity (De George, 1986; French, 1996), ethical culture (Gomberg, 1994; Tsai & Shih, 2005), Kantian ethics (Guyer, 2002; Lutz, 1997), feminism (Sorrell, 1999; Walker, 1992), virtue ethics (Whetstone, 2001), utilitarian theory (Salbu, 2001), and stakeholder theory (Attas, 2004; Freeman, 1994; Hummels, 1998; Phillips, 2004). Stakeholder theory is thought by some to be one of the more important developments in the field of business ethics (Clarkson, 1995; Wicks, Gilbert, & Freeman, 1994). The application of ethics theory to the application in ethics programs is the subject of this review.

### *Ethical Environment*

The 2005 National Business Ethics Survey (2005) indicated that more than half of U.S. employees had observed at least one example of workplace ethical misconduct in the past year, and 36% had observed two or more, an increase from the 2003 survey. The Human Resource Institute's 2003-2004 Major Issues Survey ranking of 120 issues in American companies ranked ethics in business as one of the three most important issues (American Marketing Association/Human Resource Institute [AMA/HRI], 2006). "The

purpose of an ethics policy is to support a culture of openness, trust, and integrity in a company's management and business practices” (Kranacher, 2006, p. 80).

Ethical culture has been found to be one of the most important factors in determining ethical behavior (Moberg & Caldwell, 2007; Trevino et al., 1999; Verschoor, 2007). It is important for a company to maintain its ability to sustain an ethical corporate culture in order to attract and retain quality employees (Koh & Boo, 2004; Verschoor, 2006). Additionally, moral awareness is necessary and is integral to moral behavior (Rest, 1986; VanSandt Craig, Shepard, & Zappe, 2006). Sims and Keon found that a company that encourages and sets expectations of ethical behavior is more likely to have employees who choose an ethical alternative (Adobor, 2006; Appelbaum et al., 2005; Sims & Keon, 1999).

### *Ethical Behavior*

What is considered ethical behavior comes from the values, beliefs, and attitudes of a person's community, including their business, social, educational, and other environments (Farrell & Farrell, 1998). The foundation for ethical behavior is integrity, and the presence of integrity has been shown to improve overall organizational effectiveness (Appelbaum et al., 2005; Audi & Murphy, 2006; Storr, 2004; Trevino, Weaver, & Reynolds, 2006). The ethical culture that a company promotes is crucial to keeping that company within acceptable ethical guidelines that all stakeholders accept. Integrity on a leader's part is an important aspect to understand when dealing with ethical behavior. A problem can occur when business defines ethics to be self-serving to justify its current practices (De George, 1986).

Ethical behavior among individuals at work is generally found to be less ethical than the same individual outside of work (Tsahuridu, 2006). Exploring and understanding *anomie* at work can help to understand this phenomenon. Anomie can be explained by the loss of standards and values in a person or society, which may lead to the breakdown of the norms and rules of conduct that govern a society. This breakdown is important to understand in measuring the effectiveness of ethics programs on various sub-groups of individuals.

### Ethics Programs

For many organizations, ethics programs are the primary tool to influence their members' ethical behavior (Pelletier & Bligh, 2006; Weaver & Trevino, 1999). In developing an ethics program, the intention is to stimulate ethical behavior in the organization (McDonald & Nijhof, 1999). In this way, ethics can be defined as a standard of conduct (Cavanagh, Moberg, & Velasquez, 1981) by which an organization may judge an action to be right or wrong (Bartels, 1967). In order to have an effective ethics program, five conditions must be met: awareness of the ethical goals; procedures for ethical decision making; appropriate distribution of resources (ethics hot lines, etc.); necessary skills; and personal intentions for ethical behavior (McDonald & Nijhof, 1999). This study analyzed the awareness of the goals and ethics resources and the effectiveness of these programs.

Corporate ethics programs typically include some of the following elements: code of ethics, ethics communication system, and ethics training (AMA/HRI, 2006; ERC, 2003; Stansbury & Barry, 2007; Weaver, Trevino, & Cochran, 1999a). Spitzer (2000)

described the need for standards and for boundaries that should not be crossed in order to be ethical. Ethical programs can serve as an administrative control over a range of behaviors (Stansbury & Barry, 2007; Weaver et al., 1999a). Stansbury and Barry (2007) posited that this type of control is important to organizations because it makes cooperation possible. Spitzer also suggested that business today is likely to go anywhere or do anything that is not clearly illegal, using what is legal to define its ethics. Spitzer (2000) continued to advocate that the principles of ethics need to take precedence over law. Kenneth Frazier, Chairman of the Board of Ethics Resource Center, stated that “Ethics standards and practices are vitally important for all Americans” (ERC, 2003, p. iv). The government has also provided guidelines for ethics programs through the United States Sentencing Guidelines and the Sarbanes-Oxley Act of 2002.

#### *Sarbanes-Oxley*

The Sarbanes-Oxley Act of 2002 (SOX) and the United States Sentencing Guidelines provided guidelines for corporations to follow and consequences for ethical violations (Adobor, 2006). SOX was created in the wake of multiple ethical lapses, including Enron and WorldCom, and its purpose is to hold senior executives accountable for the statements made and the accuracy of their financial reporting (Maco, 2002). Restoring confidence in the public’s perceptions of corporate ethics and enforcing greater transparency is a primary goal of SOX. SOX alone is not necessarily “determinative of corporate conduct” (Di Lorenzo, 2007, p. 288), but is in place as the minimum requirement for organizations.

Although compliance to SOX is law, the law impacts corporations in other ways.

A study conducted by Sandelands (2006, p. 516) found the following:

Pepsico has significantly improved their organizational control environment, testing financial employees' understanding of their responsibilities within the company's annual organizational ethics audit; Investment firm BlackRock, responsible for \$450 billion in assets, has dramatically enhanced their documentation processes; Yankee Candle has increased audit committee involvement in the business, and has actually been able to reduce some external consulting through increased internal responsibility; RSA Security, specializing in protecting corporate digital assets and identities, has benefited from the convergence opportunities, including compliance with a range of laws and practices; Deloitte & Touche partners have helped business simplify and save by standardizing processes; Information management company Iron Mountain has used compliance with Sarbanes-Oxley as a springboard to reduce their organizational complexity.

### *Corporate Governance*

Stakeholders are those groups from whom the firm has voluntarily accepted benefits and to whom the firm has incurred obligations of fairness (Phillips, 2004). Typically, this includes internal and external groups such as financiers, employees, customers, suppliers, and local communities (Jones, Felps, & Bigley, 2007). Freeman (1994, p. 417) stated that under stakeholder theory, “directors of the corporation shall have a duty of care to use reasonable judgment to define and direct the affairs of the corporation.” To ensure their survival, organizations must create architecture and support structure conducive to continuous renewal (Winston, 1997).

Watson (2003, p. 125) described corporate governance as a “structural system of institutional policies, implementing rules and business controls that establish a framework under which corporations are managed and operate.” Top leadership commitment to corporate ethics programs is required for fully integrated ethical practices to be supported by the organization (AMA/HRI, 2006; Stansbury & Barry, 2007; Weaver et al., 1999b). Corporations have broad responsibilities to all stakeholders, as well as



being accountable to shareholders (Cragg, 2002; Goodstein & Wicks, 2007; Hummels, 1998; Watson, 2003). One way to manage this is through a corporate structure that supports and promotes all stakeholders' interests. The United States Sentencing Commission Guidelines in Chapter 8 (2006) made recommendations for effective ethics programs. The seven recommendations are outlined below:

1. The organization shall establish standards and procedures to prevent and detect criminal conduct.
2. The organization's governing authority shall be knowledgeable about the content and operation of the compliance and ethics program and shall exercise reasonable oversight with respect to the implementation and effectiveness of the compliance and ethics program.
3. The organization shall use reasonable efforts not to include within the substantial authority personnel of the organization any individual whom the organization knew, or should have known through the exercise of due diligence, has engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics program.
4. The organization shall take reasonable steps to communicate periodically and in a practical manner its standards and procedures, and other aspects of the compliance and ethics program, to the individuals referred to in subdivision.
5. The organization shall take reasonable steps to ensure that the organization's compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct.
6. The organization's compliance and ethics program shall be promoted and enforced consistently throughout the organization through appropriate incentives to perform in accordance with the compliance and ethics program.
7. After criminal conduct has been detected, the organization shall take reasonable steps to respond appropriately to the criminal conduct and to prevent further similar criminal conduct, including making any necessary modifications to the organization's compliance and ethics program.

Ethics programs contain elements such as a code of ethics, ethics communication system, and ethics training, with the intention of influencing ethical behavior. Programs are supported in law by United States Sentencing Commission Guidelines and the Sarbanes-Oxley Act of 2002.

### *Ethics Training*

In a recent study, formalized ethics programs resulted in more positive employee perceptions of organizational ethics (Lopez, Rechner, & Olson-Buchanan, 2005). Ethical training was found to be highly linked to ethical behavior in a study of Taiwanese and American auto industry personnel (Honeycutt, Siguaw, & Hunt, 1995). In a study of 313 business professionals, a relationship emerged between ethics training and a more positive perception of organizational ethics, compared to professionals without formalized ethics training (Valentine & Fleischman, 2004).

Contrary to the above studies, VanSandt et al. (2006) found that exposure to formal ethics training did not have a significant impact on ethical awareness. The participants in this study included samples of employees from a bank, a small engineering firm, a manufacturing plant, a non-profit organization, a police department, a utility company, and a retail grocer. This study covered seven unique organizations, rather than a single demographic. The current study included a sample from a large cross section of the U.S. population and was not focused on any one industry or set of industries.

### *Corporate Ethic Statements*

A corporation can begin setting an ethical tone by producing a corporate ethics statement, which is one way to present the corporation's intent to all stakeholders. A code of ethics can contain values, rules, and ethical guidance (Farrell & Cobbin, 2000). Ethics

statements can be classified into three types based on content: (a) one in which every possible situation must be addressed; (b) one that is a general statement of company values that can be used as guidance when an ethical situation comes up; and (c) a middle of the road statement that presents the company values, with specific guidance on key areas of concern (Pelfrey & Peacock, 1991).

For many companies, this may be the first step in attempting to manage ethics (Kaptein, Huberts, Avelino, & Lasthuizen, 2005). The growth in popularity of ethics statements can be seen in a longitudinal study by Murphy (2005), which concluded that ethics statements that are actively promoted increased from 75% to 98% from 1997 to 2003 in a study of 192 Fortune 500 companies. In contrast, Malloy and Agarwal (2003) found no significant difference in ethical perception based on the existence of corporate ethics statements. This assessment was supported in a study by Nwachukwu and Vitell (1997) of marketing and advertising professionals, which found no significant difference in ethical perception of the individuals in organizations with and without a formal code of ethics.

Contrary to the above research, Pelletier and Bligh (2006) found that employee perceptions of the awareness of a company code of ethics was not significantly related to the perception of ethical program effectiveness. Michaelson (2006) indicated that it is common to distinguish between compliance and ethics. Michaelson (2006) posited that ethics goes beyond mere compliance. Compliance issues arise from two basic dimensions of ethical conduct: judgment and motivation (Geva, 2006).

## Demographic Variables

### *Occupational Category Differences*

Occupational categories reflect an attempt to divide work into relatively broad categories of job duties. Previous research on how ethics are perceived by employees in various occupational categories had mixed results. The research conducted by Jin, Drozdenko, and Basset (2007) resulted in a difference between information technology professionals and managers in their perceptions of organizational ethics. In another study, the tolerance for unethical behavior appeared to decrease with formal business education (Lopez et al., 2005). In a study of business students who were asked to role-play scenarios as manager and employee, the managers acted more ethically than did the employees (Kaynama, King, & Smith, 1996).

A study by Richtermeyer, Greller, and Valentine (2006) examined multiple occupational groups within the finance profession, including accountant, manager, senior manager, CFO, and CEO to determine if there was a difference in ethical values. This study included 460 responses from a sample of employees in the finance profession. In this study, no significant difference was found among the categories (Richtermeyer et al., 2006).

A longitudinal study by Longenecker, Moore, Petty, Palich, and McKinney (2006) compiled over 17 years and based on over 5,000 responses from employees and managers concluded that the perceptions of business integrity gaining or losing ground between small business owners and executives in large firms showed no significant differences in their perceptions about ethical behavior. Another study comparing the perceptions of ethical climate differences between students and business leaders indicated that business

leaders had a much higher perception of the ethics of American business than did the students (D'Aquila, Bean, & Procario-Foley, 2004).

The purpose of this study was to examine the problem from a more general, exploratory perspective to provide additional insights into differences by occupational category.

### *Gender Differences*

Research on the perception of ethical awareness differences between males and females also yielded mixed results. Multiple studies have concluded that women have a higher ethical awareness (Landry, Moyes, & Cortes, 2004; Lopez et al., 2005; Luthar, DiBattista, & Gautschi, 1997). A feminism perspective in ethics is a commitment to the value and the care of others. This seems to be consistent with Kant's view of ethics, yet feminism goes farther, to value the relationship over the individual (Burton & Dunn, 1996). The concept of collaboration and cooperation is central to a feminist perspective (Wicks et al., 1994). Moral and ethical models typically are from a male perspective in terms of the issues of equality, autonomy, and universality and generally do not address the "issues of affection, care, trust, and loyalty" (Sorrell, 1999, p. 90). In a study of perception of ethics throughout a large population that covers male and female subjects, it is important to be aware of these potential biases in perception.

A study of 171 professionals from the U.S. and Turkey found that the women had a greater sensitivity to ethical dilemmas than did the men (Simga-Mugan, Daly, Onkal, & Kavut, 2005). A study of 476 students indicated a difference in ethical perceptions between males and females when they were asked questions about whether ethical standards can improve the competitive position of a company (D'Aquila et al., 2004). The

research suggested that males tended to perceive this as a disadvantage and females saw it as an advantage.

Contrary to the above studies, Richtermeyer, Greller, & Valentine (2006) found no significant difference in ethical perceptions of corporate ethics values among males and females utilizing a Corporate Ethics Values (CEV) instrument to examine the differences. In a study of 224 business students, no significant differences were found in ethical perceptions between males and females using a short form of the Personal Attributes Questionnaire (PAQ) and the Ruch Newstrom business ethics scale (McCabe, Ingram, & Conway Dato-on, 2006). A study of a non-profit agency indicated that ethical perceptions showed no significant difference based on gender, using utilizing the Victor Cullen ethical work climate dimensions (Malloy & Agarwal, 2003). In a study of 100 managers, there was no remarkable difference between males and females in what was perceived to be ethical decisions (Kidwell, Stevens, & Bethke, 1987). Research is not conclusive as to whether women are perceived as more ethical than men. This study examined the perceived awareness of ethical programs difference between men and women.

#### Enron Era

The time period of this study is significant, as survey data was collected in 2000, prior to the Enron collapse and the Sarbanes Oxley Act, and again in 2003, after the implementation of SOX. The Enron scandal included ethical lapses that brought down a Fortune 500 company. When Enron was in need of an honest appraisal of its financial status, the accounting firm failed to be forthcoming and violated its ethical responsibility

(Odom & Green, 2003). The accounting firm, along with Enron itself, contributed to Enron's collapse. The accounting firm also collapsed, due to its own ethical errors. These failures, along with those of WorldCom, changed the public's perception of corporate ethics (Bernardi & LaCross, 2005). These and other scandals were the impetus behind the Sarbanes-Oxley Act.

SOX and the 1991 Federal Sentencing Guidelines provided an ethical framework for corporations to follow and consequences for ethical violations (Adobor, 2006). SOX addresses a variety of the abuses by management and their auditors (Hotaling & Lippitt, 2003). Restoring the public's confidence in corporate ethics and enforcing greater transparency are primary goals of SOX.

### Perceptions and Self-report

The self-report study is one of the major methods used in organizational behavior research, and it can be useful in measuring a person's perception about his or her job (Spector, 1994). Although this is a prominent method of collecting data, it is also one of the shortcomings of organizational behavior research (Donaldson & Grant-Vallone, 2002). Individual differences can influence an individual's perceptions and behavior (Alder, Schminke, & Noel, 2007; Schminke, Ambrose, & Noel, 1997). Davis and Rothstein (2006) examined the perceived behavioral integrity of managers by the employees and concluded that where managers that were perceived to demonstrate greater integrity, the employees reported greater job satisfaction. Perceptions and self-report surveys need to be used with great care in examining the results.

## National Business Ethics Survey

The National Business Ethics Survey (NBES) has conducted multiple surveys on how employees view ethics in their organization. The key findings of the 2003 NBES included:

1. 73% of employees say that their organizations have written standards of business conduct.
2. 88% of organizations with more than 500 employees have written ethical standards.
3. 58% of organizations with less than 500 employees have written ethical standards.
4. 90% of employees in government say their organizations have written ethical standards.
5. 82% of employees in non-profit say their organizations have written ethical standards.
6. 67% of employees in for-profit say their organizations have written ethical standards.
7. 54% of employees say their organizations provide ethics training.
8. 42% of employees say that their organizations have an ethics office or other ethics resources available.

These findings indicated that written ethics standards, ethics training, and ethics resource availability have various degrees of awareness based on organization type and size. The NBES study focused on the macro analysis of ethical programs and their perceived awareness of the organizational responses to ethical issues. The NBES analysis included the perceptions by industry grouping and company size. The analysis did not cover the individuals within the organization by occupational category, age group, or salary range.



## Summary

Ethical programs have their roots in traditional ethical theory; this theory is interwoven through ethics programs. Although it is well documented that ethical programs can have a significant impact on the ethical conduct of employees (Di Lorenzo, 2007; Nwachukwu & Vitell, 1997; Sandelands, 2006; Trevino et al., 1999; Weaver et al., 1999b), the current literature did not identify the effectiveness of reaching all occupational categories. This research explored the employees' perception change as a result of organizational ethics programs, preceding and following the Sarbanes-Oxley legislation.

## CHAPTER 3: METHODOLOGY

### Restatement of the Purpose

The purpose of this study was to explore and ascertain the degree to which employees' perception changed as a result of organizational ethics programs, subsequent to passing the Sarbanes-Oxley legislation. This longitudinal study measured the change in group and subgroup responses to the same questions before and after the Enron scandal. Employees' perceptions of ethics were measured through assessments by the National Business Ethics Survey 2000 and 2003. For the purposes of this study, ethics issues and organizational programs include written standards, training on those standards, and the availability of ethical resources. The subgroups for this study included occupational categories and gender.

### Research Questions

The overarching question, "What was the change in perception in the awareness of organizational responses to ethical issues between 2000 to 2003 across all occupational groups?" is based on the premise that ethical programs have been shown to have a significant impact on the ethical conduct of employees (Di Lorenzo, 2007; Nwachukwu & Vitell, 1997; Sandelands, 2006; Trevino et al., 1999; Weaver et al., 1999b). Organizational responses to ethical issues generally consist of three components:

(a) written standards, (b) training on those standards, and (c) the availability of ethical resources. The program effectiveness was measured by the reported observed unethical behavior and the frequency of this behavior. The following three hypotheses measured the perception differences by occupational groups in three areas of company ethical program awareness: written standards, ethical training, and the availability of ethical resources.

Research question 1: What was the change in the perception of the existence of written ethical standards after the implementation of SOX among occupational groups (professional or technical, administrative or clerical, management, or other)?

H1<sub>0</sub> There is no significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of written ethical standards between 2000 and 2003.

H1<sub>A</sub> There is a significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of written ethical standards between 2000 and 2003.

Research question 2: What was the change in the perception of the existence of ethical training after the implementation of SOX among occupational groups (professional or technical, administrative or clerical, management, and other)?

H2<sub>0</sub> There is no significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of ethics training programs between 2000 and 2003.

H2<sub>A</sub> There is a significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of ethics training programs between 2000 and 2003.

Research question 3: What was the change in the perception of the existence of the availability of ethics resources (help line, ethics office, etc.) after the implementation of SOX among occupational groups (professional or technical, administrative or clerical, management, and other)?

H3<sub>0</sub> There is no significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of the availability of ethical resources between 2000 and 2003.

H3<sub>A</sub> There is a significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees of the availability of ethical resources between 2000 and 2003.

The following two hypotheses measured the perception differences of the effectiveness of ethical programs among occupational groups in the observation of ethical behavior and in the frequency of this conduct.

Research question 4: What was the change in the perception of program effectiveness after the implementation of SOX among occupational groups (professional or technical, administrative or clerical, management, and other)?

H4<sub>0</sub> There is no significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of observed unethical behavior between 2000 and 2003.

H4<sub>A</sub> There is a significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of observed unethical behavior between 2000 and 2003.

Research question 5: What was the change in the perception of frequency of unethical behavior after the implementation of SOX among occupational groups (professional or technical, administrative or clerical, management, and other)?

H5<sub>0</sub> There is no significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of observed frequency of unethical behavior between 2000 and 2003.

H5<sub>A</sub> There is a significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of observed frequency of unethical behavior between 2000 and 2003.

Research question 6: What was the change in the perception of the existence of written ethical standards after the implementation of SOX between male and female employees?

H6<sub>0</sub> There is no significant difference between male and female employees in the perceptions of written ethical standards between 2000 and 2003.

H6<sub>A</sub> There is a significant difference between male and female employees in the perceptions of written ethical standards between 2000 and 2003.

Research question 7: What was the change in the perception of the existence of ethical training after the implementation of SOX between male and female employees?

H7<sub>0</sub> There is no significant difference between male and female employees in the perceptions of ethics training programs between 2000 and 2003.

H7<sub>A</sub> There is a significant difference between male and female employees in the perceptions of ethics training programs between 2000 and 2003.

Research question 8: What was the change in the perception of the existence of the availability of ethics resources (help line, ethics office, etc.) after the implementation of SOX between male and female employees?

H8<sub>0</sub> There is no significant difference between male and female employees in the perceptions of the availability of ethical resources between 2000 and 2003.

H8<sub>A</sub> There is a significant difference between male and female employees of the availability of ethical resources between 2000 and 2003.

The following two hypotheses measured perception differences of the effectiveness of ethical programs between male and female employees in the observation of ethical behavior and in the frequency of this conduct.

Research question 9: What was the change in the perception of program effectiveness after the implementation of SOX between male and female employees?

H9<sub>0</sub> There is no significant difference between male and female employees in the perceptions of observed unethical behavior between 2000 and 2003.

H9<sub>A</sub> There is a significant difference between male and female employees, or other category employees in the perceptions of observed unethical behavior between 2000 and 2003.

Research question 10: What was the change in the perception of frequency of unethical behavior after the implementation of SOX between male and female employees?

H10<sub>0</sub> There is no significant difference between male and female employees in the perceptions of observed frequency of unethical behavior between 2000 and 2003.

H10<sub>A</sub> There is a significant difference between male and female employees in the perceptions of observed frequency of unethical behavior between 2000 and 2003.

### Research Design

The study was based on data collected in the 2000 and 2003 National Business Ethics Survey (2003), a secondary data source, which is set as a benchmark of ethical perceptions across a range of demographics. The goals of the survey were to provide leaders with data on how employees view ethical values and practices in their organization; to update national business ethics benchmarks; and to improve understanding of the relationships between ethical values, practices, and outcomes in the work environment. This study differed from the original survey by analyzing the perception differences by the categories of occupational groups, and by gender. It was important to determine if ethical programs reach the intended groups of individuals equally.

### Instrumentation and Measures

Secondary data, defined as data collected by others that was not specifically for the research question (Cowton, 1998), is widely used in research. The use of such data

requires careful consideration and offers opportunities in empirical research; however, all secondary datasets require close scrutiny and verification (Atkinson & Brandolini, 2001). The data to be used in this study was from two National Business Ethics Surveys, the 2000 and 2003 surveys. The Ethics Resource Center sponsored the research, which was conducted by O'Neil and Associates. The surveys followed identical methodologies in 2000 and 2003 (ERC, 2003).

A fundamental reason to utilize secondary data is the difficulty of obtaining valid and reliable primary data (Cowton, 1998). The primary advantages of using secondary data over collecting primary data are the cost and accessibility. In this case, obtaining such rich data as primary data would have been beyond the ability of the study. Although the cost to obtain secondary data may be low, the researcher must often invest additional time and effort in manipulation and interpretation that can bring new insights to existing data (Cowton, 1998). No additional manipulation or interpretation was necessary for this study. This study provided additional insights that were not addressed in the NBES study of ethical program awareness as it related to the individual across multiple demographic groups.

A disadvantage to using large secondary datasets is the possibility of unequal subject representation (Dunfee & Hess, 2001). This can be corrected through careful analysis of the data and sample weights to correct for this imbalance. The NBES survey used a representative distribution across the nation; this was confirmed by comparing the distribution by time zone (ERC, 2003). The only demographic variable that was outside of the expected distribution was male to female (47.4% versus 52.6%) in the 2003 survey.



Secondary analysis may be the only way to measure events that happened in the past (Kiecolt & Nathan, 1985). In the case of measuring a change in ethical perceptions before and after a major ethical lapse like the Enron scandal, using data that was collected before and soon after the event would be most meaningful. The time frame of these two surveys is particularly important, as they were just prior to and following a major ethical scandal and the SOX legislation.

It is important to evaluate the source of any data collected, as well as to understand the purpose of the study and why it was gathered (Stewart & Kamins, 1993). Bias can taint the data, so it is important to compare the results of the data source with similar studies. The purpose of the NBES surveys was to measure the employees' views on ethics within their respective organizations (ERC, 2003). That purpose is complementary to the purpose of this study. The NBES study researched and analyzed the ethical perceptions at the macro level, whereas this study measured the changes in awareness at the subgroup levels.

### Data Collection

The data used in this study were gathered in the 2000 NBES study and in the 2003 NBES study. Both surveys were managed and conducted by O'Neil Associates using a questionnaire developed by the Ethics Resource Center (ERC). The NBES survey questioned employees about how they perceived ethics at work.

Both surveys were conducted as a random household telephone survey of adults (at least 18 years of age) who were currently employed at least 20 hours a week in an organization that employed two or more persons. Calls were made to a randomly selected

sample of residential household within the contiguous 48 states. These calls were based on a purchased sample listing of randomly selected generated telephone numbers. The list was a representative sampling of the nation by time zone. The percentages of females and males were 52.6% to 47.4% respectively. In conducting the analysis scales for three sets of items—the ethical actions of top management, those of supervisors, and those of coworkers—all scales exceeded a Chronbach's alpha value of .75, indicating high reliability.

The 2000 NBES survey completed 1,500 interviews between November 12, 1999, and February 14, 2000, with individuals in residential households in the contiguous 48 states. The sampling error of the NBES 2000 survey conducted was  $\pm 2.5\%$  or less at the 95% confidence level (ERC, 2000). The 2003 NBES survey completed 1,503 interviews, with individuals in residential households in the contiguous 48 states, between January 31, 2003, and March 17, 2003. The sampling error of the NBES 2003 survey was  $\pm 2.5\%$  or less at the 95% confidence level (ERC, 2003).

Survey questions from the 2000 and 2003 NBES:

1. Does your organization have any written standards of ethical business conduct, for example, a code of ethics, a policy statement on ethics, or guidelines on proper business conduct that provide guidance for your job?
2. Does your organization provide training on its standards of ethical conduct?
3. Does your organization have a specific office or telephone line where you can get advice about business ethics issues?
4. Do you consider yourself senior management, middle management, or a first line supervisor?
5. Are you a professional or technical employee, an administrative or clerical employee, or are you in some other category of employment?

6. During the past year, have you personally observed conduct that you thought violated the law or your organizations standards of conduct?
7. How often have you observed this conduct? Have you observed it frequently, occasionally, or rarely?

### Operationalization of the Variables

The organization of the dependent and independent variables were examined in two phases.

First phase: The dependent variables in this study were presence of written ethical standards, presence of ethics training programs, availability of ethical resources, observation of unethical behavior, and frequency of observed unethical behavior. The independent variable for this study was the Sarbanes Oxley legislation. The moderating variables for this study were occupation category and gender.

Second phase, for correlation analysis: The dependent variables in this analysis were presence of written ethical standards, presence of ethics training programs, and availability of ethical resources. The dependent variables for this analysis were observation of unethical behavior and frequency of observed unethical behavior.

*Presence of written ethical standards.* This variable was operationalized as the response to the following survey question: “Does your organization have any written standards of ethical business conduct, for example, a code of ethics, a policy statement on ethics, or guidelines on proper business conduct that provide guidance for your job?” Given that the answer to this survey question could be either *Yes* or *No*, this was a dichotomous dependent variable.

*Presence of ethics training programs.* This variable was operationalized as the response to the following survey question: “Does your organization provide training on its standards of ethical conduct?” Given that the answer to this survey question could be either *Yes* or *No*, this was a dichotomous dependent variable.

*Availability of ethical resources.* This variable was operationalized as the response to the following survey question: “Does your organization have a specific office or telephone line where you can get advice about business ethics issues?” Given that the answer to this survey question could be either *Yes* or *No*, this was a dichotomous dependent variable.

*Observation of unethical behavior.* This variable was operationalized as the response to the following survey question: “During the past year, have you personally observed conduct that you thought violated the law or your organizations standards of conduct?” Given that the answer to this survey question could be either *Yes* or *No*, this was a dichotomous dependent variable.

*Frequency of observed unethical behavior.* This variable was operationalized as the response to the following survey question: “How often have you observed this conduct? Have you observed it frequently, occasionally, or rarely?” Given that the answer to this survey question could be *Frequently*, *Occasionally*, or *Rarely*, this was a trichotomous dependent variable.

*Independent variables.* The independent variables for the present study, occupation category and gender, were operationalized as the response to three survey questions: “Are you a professional or technical employee, an administrative or clerical employee, or are you in some other category of employment?” The independent variable

of managerial was operationalized as the response to the survey question: “Do you consider yourself senior management, middle management, or a first line supervisor?” The independent variable gender was operationalized as the response to the survey question: “Are you male or female?” Therefore, this variable had four categories of occupational category variables: managerial, professional or technical, administrative or clerical, and other, as well as two categories of gender variables: male and female.

### Data Analysis and Hypothesis Testing

Data was analyzed using SPSS Graduate Pack 15.0. The initial analysis of the dataset tables of participants was by category of employment and gender. The first test examined the distribution of data using frequency and percentage. This gave a preliminary idea of the perceptions of organizational ethical programs. The frequency analysis was broken down by year (2000 and 2003) in order to verify whether there were changes from pre-SOX implementation (year 2000) to post-SOX implementation (year 2003).

Given that all dependent variables were categorical, chi-square tests of independence were performed in order to determine whether the distribution of responses was significantly different in 2000 and in 2003. Separate chi-square analyses were performed on data from each of the occupational subgroups in order to determine if some groups experienced significant changes while other groups did not.

## CHAPTER 4: DATA COLLECTION AND ANALYSIS

As stated in chapter 1, the purpose of this study was to explore and ascertain the degree to which employees' perception of organizational ethics programs changed subsequent to passing the Sarbanes-Oxley legislation. The main purpose of the study was to examine changes in the perceptions of ethical issues and organizational responses by organizational members at different levels that occurred prior to and following the implementation of Sarbanes Oxley legislation. This longitudinal study measured the change in group and subgroup responses to the same questions before and after the Enron scandal. The National Business Ethics Survey 2000 and 2003 measured employees' perceptions of ethics through assessments. For the purposes of this study, ethics issues and organizational programs included written standards, training on those standards, and the availability of ethical resources. The subgroups for this study include occupational categories and gender.

### Data Analysis

In order to address the main research question of this study, "What was the change in perception in the awareness of organizational responses to ethical issues between 2000 to 2003 across all occupational groups?" this chapter presents the results of Pearson's chi-square tests on cross-tabulation of frequencies of responses conducted on

the study hypotheses. This was done utilizing the data obtained from the proprietary data from The National Business Ethics Surveys taken in 2000 and 2003. All tests were conducted at the .05 level of statistical significance.

*Change in Perceptions of Written Ethical Standards between 2000 and 2003 by Occupation*

Null hypothesis 1 stated, “There is no significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of written ethical standards between 2000 and 2003.” In order to test this hypothesis, chi-square tests of independence were performed between year (either 2000 or 2003) and the response to NBES survey question 1, “Does your organization have any written standards of ethical business conduct, for example, a code of ethics, a policy statement on ethics, or guidelines on proper business conduct that provide guidance for your job?” This analysis was conducted separately for each group: management, professional or technical, administrative or clerical and other employees. Following that, the Breslow-Day test was performed in order to determine if the change in the proportion of *Yes* answers were significantly different across the four occupation categories. Cross-tabulation results are presented in Tables 1, 2, and 3.

Table 1. *Cross-Tabulation between Year and Perception of Written Standards, by Occupation*

Occupation				NBES Question 1		Total
				Yes	No	
Professional/ Technical	Year	2000	Count	347	55	402
			% within year	86.3%	13.7%	100.0%
	2003	Count	324	89	413	
		% within year	78.5%	21.5%	100.0%	
Administrative/ Clerical	Year	2000	Count	123	15	138
			% within year	89.1%	10.9%	100.0%
	2003	Count	95	39	134	
		% within year	70.9%	29.1%	100.0%	
Other	Year	2000	Count	172	42	214
			% within year	80.4%	19.6%	100.0%
	2003	Count	158	60	218	
		% within year	72.5%	27.5%	100.0%	
Management	Year	2000	Count	542	131	673
			% within year	80.5%	19.5%	100.0%
	2003	Count	469	161	630	
		% within year	74.4%	25.6%	100.0%	

Table 2. *Chi-Square Test Results for Association between Year and Perceptions about Written Standards*

occupation	Chi-square	df	Asymp. Sig. (2-sided)	Significant <.05
Professional/Technical	8.669	1	.003	Yes
Administrative/Clerical	14.207	1	.000	Yes
Other	3.734	1	.053	No
Management	6.942	1	.008	Yes

Table 3. *Tests of Homogeneity of Odds Ratios among the Four Occupations*

	Chi-square	df	Asymp. Sig. (2-sided)
Breslow-Day	6.075	3	.108
Tarone's	6.075	3	.108



As seen from these results, the proportion of individuals who perceived that there were written standards of ethical business conduct within their organization varied significantly between 2000 and 2003 for professional or technical, administrative or clerical, and managerial employees. In these three cases, the proportion of respondents who stated that there were written standards for ethical business conduct decreased from 2000 to 2003. It should be noted, however, that Breslow-Day's test did not reject the null hypothesis of homogeneity of odds ratios among the four occupations (Chi-square (3) = 6.07,  $p = 0.108$ ), which implies that the decrease in perception of written standards was not significantly different between the four occupation groups.

*Change in Perceptions of Ethics Training Programs between 2000 and 2003 by Occupation*

Null hypothesis 2 stated, "There is no significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of ethics training programs between 2000 and 2003." The same analyses as described previously were performed in this case, segmenting by occupation of the respondent. Analyses were based on NBES survey question 2, "Does your organization provide training on its standards of ethical conduct?" Results are presented in Tables 4, 5, and 6.

Table 4. *Cross-Tabulation between Year and Perception of Ethics Training Program, by Occupation*

Occupation				NBES question 2		Total
				Yes	No	
Professional/Technical	Year	2000	Count	236	162	398
			% within year	59.3%	40.7%	100.0%
	2003	Count	225	185	410	
		% within year	54.9%	45.1%	100.0%	
Administrative/Clerical	Year	2000	Count	80	54	134
			% within year	59.7%	40.3%	100.0%
	2003	Count	64	68	132	
		% within year	48.5%	51.5%	100.0%	
Other	Year	2000	Count	127	87	214
			% within year	59.3%	40.7%	100.0%
	2003	Count	115	112	227	
		% within year	50.7%	49.3%	100.0%	
Management	Year	2000	Count	384	279	663
			% within year	57.9%	42.1%	100.0%
	2003	Count	367	270	637	
		% within year	57.6%	42.4%	100.0%	

Table 5. *Chi-square Test Results for Association between Year and Perceptions about Ethics Training Program*

Occupation	Chi-square	df	Asymp. Sig. (2-sided)	Significant <.05
Professional/Technical	1.609	1	.205	No
Administrative/Clerical	3.369	1	.066	No
Other	3.355	1	.067	No
Management	.012	1	.911	No

Table 6. *Tests of Homogeneity of Odds Ratios among the Four Occupations*

	Chi-square	df	Asymp. Sig. (2-sided)
Breslow-Day	4.147	3	.246
Tarone's	4.147	3	.246

As seen from these results, the proportion of individuals who perceived that there were ethics training program within their organization had no significant changes between 2000 and 2003 for any of the four occupational groups. Breslow-Day's test did not reject the null hypothesis of homogeneity of odds ratios among the four occupations (Chi-square (3) = 4.14,  $p = 0.246$ ), which confirmed the finding that there were no changes for any of the groups in the perceptions of ethical training programs.

*Change in Availability of Ethical Resources between 2000 and 2003*

Null hypothesis 3 stated, "There is no significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees of the availability of ethical resources between 2000 and 2003." The same analyses as described previously were performed in this case, segmenting by occupation of the respondent. Analyses were based on NBES survey question 3, "Does your organization have a specific office or telephone line where you can get advice about business ethics issues?" Results are presented in Tables 7, 8, and 9.

*Table 7. Chi-square Test Results for Association between Year and Perceptions about Availability of Ethical Resources*

Occupation	Chi-square	df	Asymp. Sig. (2-sided)	Significant <.05
Professional/Technical	3.802	1	.051	No
Administrative/Clerical	4.597	1	.032	Yes
Other	.013	1	.910	No
Management	4.348	1	.037	Yes

Table 8. *Cross-Tabulation between Year and Perception of Availability of Ethical Resources, by Occupation*

Occupation	Year		NBES question 4		Total	
			Yes	No		
Professional/Technical	2000	Count	203	186	389	
		% within year	52.2%	47.8%	100.0%	
	2003	Count	173	210	383	
		% within year	45.2%	54.8%	100.0%	
	Administrative/Clerical	2000	Count	67	58	125
			% within year	53.6%	46.4%	100.0%
2003		Count	54	80	134	
		% within year	40.3%	59.7%	100.0%	
Other		2000	Count	97	104	201
			% within year	48.3%	51.7%	100.0%
	2003	Count	104	114	218	
		% within year	47.7%	52.3%	100.0%	
	Management	2000	Count	316	339	655
			% within year	48.2%	51.8%	100.0%
2003		Count	267	362	629	
		% within year	42.4%	57.6%	100.0%	

Table 9. *Tests of Homogeneity of Odds Ratios among the Four Occupational Categories*

	Chi-square	df	Asymp. Sig. (2-sided)
Breslow-Day	2.724	3	.436
Tarone's	2.724	3	.436

As seen from these results, the proportion of individuals who perceived that there were ethical resources available within their organization varied significantly between 2000 and 2003 for administrative or clerical, and managerial employees. In both cases, the proportion of respondents who stated that there were ethical resources available within their organization decreased from 2000 to 2003. It should be noted, however, that

Breslow-Day's test did not reject the null hypothesis of homogeneity of odds ratios among the four occupations (Chi-square (3) = 2.72,  $p = 0.436$ ), which implies that the increase in perception of availability of ethical resources was not significantly different among the four occupation groups.

*Changes in the Observation of Unethical Behavior between 2000 and 2003*

Null hypothesis 4 stated, "There is no significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of observed unethical behavior between 2000 and 2003." The same analyses as described previously were performed in this case, segmenting by occupation of the respondent. Analyses were based on NBES survey question 6 "During the past year, have you personally observed conduct that you thought violated the law or your organizations standards of conduct?" Results are presented in Tables 10, 11, and 12.

Table 10. *Cross-Tabulation between Year and Observation of Unethical Behavior, by Occupation*

Occupation	Year		NBES question 6		Total
			Yes	No	
Professional/Technical	2000	Count	129	282	411
		% within year	31.4%	68.6%	100.0%
	2003	Count	71	347	418
		% within year	17.0%	83.0%	100.0%
Administrative/Clerical	2000	Count	36	103	139
		% within year	25.9%	74.1%	100.0%
	2003	Count	27	110	137
		% within year	19.7%	80.3%	100.0%

Table 10. *Cross-Tabulation between Year and Observation of Unethical Behavior, by Occupation (continued)*

Occupation	Year		NBES question 6		Total
			Yes	No	
Other	2000	Count	75	146	221
		% within year	33.9%	66.1%	100.0%
	2003	Count	55	181	236
		% within year	23.3%	76.7%	100.0%
Management	2000	Count	214	461	675
		% within year	31.7%	68.3%	100.0%
	2003	Count	158	482	640
		% within year	24.7%	75.3%	100.0%

Table 11. *Chi-square Test Results for Association between Year and Observation of Unethical Behavior*

occupation	Chi-square	df	Asymp. Sig. (2-sided)	Significant <.05
Professional/Technical	23.480	1	.000	Yes
Administrative/Clerical	1.501	1	.220	No
Other	6.338	1	.012	Yes
Management	7.972	1	.005	Yes

Table 12. *Tests of Homogeneity of Odds Ratios among the Four Occupational Categories*

	Chi-square	df	Asymp. Sig. (2-sided)
Breslow-Day	5.083	3	.166
Tarone's	5.082	3	.166

As seen from these results, the proportion of individuals who observed unethical behaviors within their organization varied significantly between 2000 and 2003 for professional or technical, managerial, and other employees. In these three cases, the proportion of respondents who observed unethical behaviors within their organization

decreased from 2000 to 2003. It should be noted, however, that Breslow-Day's test did not reject the null hypothesis of homogeneity of odds ratios among the four occupations (Chi-square (3) = 5.03,  $p = 0.166$ ), which implies that the increase in perception of availability of ethical resources was not significantly different among the four occupation groups.

*Change in the Frequency of Observation of Unethical Behavior between 2000 and 2003*

Null hypothesis 5 stated, "There is a significant difference among managerial employees, professional or technical employees, administrative or clerical employees, or other category employees in the perceptions of observed frequency of unethical behavior between 2000 and 2003." The same analyses as described previously were performed in this case, segmenting by occupation of the respondent. Analyses were based on NBES question 7 "How often have you observed this conduct? Have you observed it frequently, occasionally, or rarely?" Breslow-Day test was not conducted for this hypothesis because it requires both categorical variables to be dichotomous, but the frequency of observed unethical behavior had three categories. Results are presented in Tables 13 and 14.

Table 13. *Chi-square Test Results for Association between Year and Frequency of Observation of Unethical Behavior*

Occupation	Chi-square	df	Asymp. Sig. (2-sided)	Significant <.05
Professional/Technical	6.029	2	.049	Yes
Administrative/Clerical	.037	2	.982	No
Other	.700	2	.705	No
Management	25.682	2	.000	Yes

Table 14. *Cross-Tabulation between Year and Frequency of Observation of Unethical Behavior, by Occupation*

Occupation		NBES question 7			Total		
		Frequently	Occasionally	Rarely			
Professional/ Technical	Year 2000	Count	33	85	11	129	
		% within year	25.6%	65.9%	8.5%	100.0%	
	2003	Count	18	37	14	69	
		% within year	26.1%	53.6%	20.3%	100.0%	
	Administrative/ Clerical	Year 2000	Count	10	23	3	36
			% within year	27.8%	63.9%	8.3%	100.0%
2003		Count	8	17	2	27	
		% within year	29.6%	63.0%	7.4%	100.0%	
Other	Year 2000	Count	14	51	10	75	
		% within year	18.7%	68.0%	13.3%	100.0%	
	2003	Count	11	34	10	55	
		% within year	20.0%	61.8%	18.2%	100.0%	
	Management	Year 2000	Count	34	157	23	214
			% within year	15.9%	73.4%	10.7%	100.0%
2003		Count	23	85	50	158	
		% within year	14.6%	53.8%	31.6%	100.0%	

As seen from these results, the frequency of observation of unethical behaviors varied significantly between 2000 and 2003 for professional or Technical and managerial employees. In both cases, it would appear that *Rarely* was a more common frequency in 2003 than in 2000, suggesting that the frequency of observed unethical behavior decreased between 2000 and 2003 for these two occupational groups.

#### *Change in Perceptions of Written Ethical Standards between 2000 and 2003 by Gender*

Null hypothesis 6 stated, “There is no significant difference between male and female employees in the perceptions of written ethical standards between 2000 and



2003.” The same analyses as described above were performed in this case, using the gender of the respondent. Analyses were based on NBES question 1. Results are presented in Tables 15, 16, and 17.

Table 15. *Cross-Tabulation between Year and Perception of Written Standards, by Gender*

Gender				NBES question 1		Total
				Yes	No	
Male	Year	2000	Count	539	146	685
			% within year	78.7%	21.3%	100.0%
	2003	Count	486	202	688	
		% within year	70.6%	29.4%	100.0%	
Female	Year	2000	Count	676	106	782
			% within year	86.4%	13.6%	100.0%
	2003	Count	606	160	766	
		% within year	79.1%	20.9%	100.0%	

Table 16. *Chi-square Test Results for Association between Year and Perceptions about Written Standards, by Gender*

Gender	Chi-square	df	Asymp. Sig. (2-sided)	Significant <.05
Male	11.745	1	.001	Yes
Female	14.621	1	.000	Yes

Table 17. *Tests of Homogeneity of Odds Ratios among Male and Female Employees*

	Chi-square	df	Asymp. Sig. (2-sided)
Breslow-Day	.250	1	.617
Tarone's	.250	1	.617

As seen from these results, a significant decrease in the perceptions of written standards between 2000 and 2003 was observed for both males and females in the

sample. Breslow-Day's test did not reject the null hypothesis of homogeneity of odds ratios between males and females (Chi-square (1) = 0.25,  $p = 0.617$ ), which implies that the decrease in perception of written standards between 2000 and 2003 was not significantly different between males and females. Given that no significant differences were observed across occupational groups and genders, no cross-tabulation analysis was performed for the overall sample.

*Change in Perceptions of Ethics Training Programs between 2000 and 2003 by Gender*

Null hypothesis 7 stated, "There is no significant difference between male and female employees in the perceptions of ethics training programs between 2000 and 2003." The same analyses as described previously were performed in this case, using the gender of the respondent. Results are presented in Tables 18, 19, and 20.

Table 18. *Cross-Tabulation between Year and Perception of Ethics Training Program, by Gender*

Gender				NBES question 2		Total
				Yes	No	
Male	Year	2000	Count	373	298	671
			% within year	55.6%	44.4%	100.0%
	2003	Count	360	338	698	
		% within year	51.6%	48.4%	100.0%	
Female	Year	2000	Count	480	297	777
			% within year	61.8%	38.2%	100.0%
	2003	Count	448	322	770	
		% within year	58.2%	41.8%	100.0%	

Table 19. *Chi-square Test Results for Association between Year and Perceptions about Ethics Training Program*

Gender	Chi-square	df	Asymp. Sig. (2-sided)	Significant <.05
Male	2.215	1	.137	No
Female	2.082	1	.149	No

Table 20. *Tests of Homogeneity of Odds Ratios among Male and Female Employees*

	Chi-square	df	Asymp. Sig. (2-sided)
Breslow-Day	.006	1	.938
Tarone's	.006	1	.938

As seen from these results, the proportion of individuals who perceived that there were ethics training program within their organization did not experience significant changes between 2000 and 2003, for males or for females. Breslow-Day's test did not reject the null hypothesis of homogeneity of odds ratios among the four occupations (Chi-square (1) = 0.006,  $p = 0.938$ ), which confirms the finding that there were no changes for either males or females in the perceptions of ethical training programs.

#### *Change in Availability of Ethical Resources between 2000 and 2003 by Gender*

Null hypothesis 8 stated, "There is no significant difference between male and female employees in the perceptions of the availability of ethical resources between 2000 and 2003." The same analyses as described previously were performed in this case, using the gender of the respondent. Results are presented in Tables 21, 22, and 23

Table 21. *Cross-Tabulation between Year and Perception of Availability of Ethical Resources, by Gender*

Gender				NBES question 3		Total
				Yes	No	
Male	Year	2000	Count	324	341	665
			% within year	48.7%	51.3%	100.0%
	2003	Count	294	383	677	
		% within year	43.4%	56.6%	100.0%	
Female	Year	2000	Count	376	363	739
			% within year	50.9%	49.1%	100.0%
	2003	Count	331	413	744	
		% within year	44.5%	55.5%	100.0%	

Table 22. *Chi-square Test Results for Association between Year and Perceptions about Availability of Ethical Resources*

Gender	Chi-square	df	Asymp. Sig. (2-sided)	Significant <.05
Male	3.786	1	.052	No
Female	6.069	1	.014	Yes

Table 23. *Tests of homogeneity of odds ratios among male and female employees*

	Chi-square	df	Asymp. Sig. (2-sided)
Breslow-Day	.082	1	.775
Tarone's	.082	1	.775

As can be seen from these results, the proportion of individuals who perceived that there were ethical resources available within their organization varied significantly between 2000 and 2003 for females, but not for males. The proportion of females who stated that there were ethical resources available within their organization decreased significantly from 2000 to 2003. It should be noted, however, that Breslow-Day's test did not reject the null hypothesis of homogeneity of odds ratios between males and females

(Chi-square (1) = 0.082,  $p = 0.775$ ), which implies that the increase in perception of availability of ethical resources was not significantly different between males and females.

*Changes in the Observation of Unethical Behavior between 2000 and 2003 by Gender*

Null hypothesis 9 stated, “There is no significant difference between male and female employees in the perceptions of observed unethical behavior between 2000 and 2003.” The same analyses as described previously were performed in this case, segmenting by gender of the respondent. Results are presented in Tables 24, 25, and 26:

Table 24. *Cross-Tabulation between Year and Observation of Unethical Behavior, by Gender*

Gender				NBES question 6		Total
				Yes	No	
Male	Year	2000	Count	204	487	691
			% within year	29.5%	70.5%	100.0%
	2003	Count	159	548	707	
		% within year	22.5%	77.5%	100.0%	
Female	Year	2000	Count	263	532	795
			% within year	33.1%	66.9%	100.0%
	2003	Count	165	622	787	
		% within year	21.0%	79.0%	100.0%	

Table 25. *Chi-square Test Results for Association between Year and Observation of Unethical Behavior*

Gender	Chi-square	df	Asymp. Sig. (2-sided)	Significant <.05
Male	8.992	1	.003	Yes
Female	29.419	1	.000	Yes

Table 26. *Tests of Homogeneity of Odds Ratios among Male and Female Employees*

	Chi-square	df	Asymp. Sig. (2-sided)
Breslow-Day	2.294	1	.130
Tarone's	2.294	1	.130

As can be seen from these results, the proportion of individuals who observed unethical behaviors within their organization varied significantly between 2000 and 2003 for both males and females. In both cases, the proportion of respondents who observed unethical behaviors within their organization decreased from 2000 to 2003. Breslow-Day's test did not reject the null hypothesis of homogeneity of odds ratios between males and females (Chi-square (1) = 2.29,  $p = 0.130$ ), which implies that the increase in perception of observed unethical behavior was not significantly different between males and females.

Null hypothesis 10 stated, "There is a significant difference between male and female employees in the perceptions of observed frequency of unethical behavior between 2000 and 2003." The same analyses as described previously were performed in this case, segmenting by gender of the respondent. Results are presented in Tables 27 and 28.

Table 27. *Cross-Tabulation between Year and Frequency of Observation of Unethical Behavior, by Gender*

Gender		NBES question 7			Total	
		Frequently	Occasionally	Rarely		
Male	Year 2000	Count	44	134	26	204
		% within year	21.6%	65.7%	12.7%	100.0%
	Year 2003	Count	32	83	43	158
		% within year	20.3%	52.5%	27.2%	100.0%

Table 27. *Cross-Tabulation between Year and Frequency of Observation of Unethical Behavior, by Gender (continued)*

Gender				NBES question 7			Total
				Frequently	Occasionally	Rarely	
Female	Year	2000	Count	50	191	22	263
			% within year	19.0%	72.6%	8.4%	100.0%
	2003	Count	33	96	35	164	
			% within year	20.1%	58.5%	21.3%	100.0%

Table 28. *Chi-square Test Results for Association between Year and Frequency of Observation of Unethical Behavior*

Gender	Chi-square	df	Asymp. Sig. (2-sided)	Significant <.05
Male	12.425	2	.002	Yes
Female	15.788	2	.000	Yes

As seen from these results, the frequency of observation of unethical behaviors varied significantly between 2000 and 2003 for males and for females. In both cases, it would appear that *Rarely* was a more common frequency in 2003 than in 2000, suggesting that the frequency of observed unethical behavior decreased between 2000 and 2003 for both males and females.

#### *Change in Perceptions of Written Ethical Standard between 2000 and 2003*

Given that no significant differences were observed across occupational groups and genders, a cross-tabulation analysis was performed for the overall sample. Results are presented in Table 29.

Table 29. *Cross-tabulation between Year and Perception of Written Standards, for Whole Sample*

	Year		NBES question 1		Total
			Yes	No	
	2000	Count	1215	252	1467
		% within year	82.8%	17.2%	100.0%
	2003	Count	1092	362	1454
		% within year	75.1%	24.9%	100.0%

As seen from this table, the proportion of respondents who stated that there were written ethical standards within their organization decreased significantly from 2000 to 2003 (Chi-square (1) = 26.20,  $p < 0.001$ ).

*Change in Perceptions about the Availability of Ethical Resources between 2000 and 2003*

Given that no significant differences were observed across occupational groups and genders, a cross-tabulation analysis was performed for the overall sample. Results are presented in Table 30.

Table 30. *Cross-tabulation between Year and Perception of Availability of Ethical Resources, for Whole Sample*

	Year		NBES question 3		Total
			Yes	No	
	2000	Count	700	704	1404
		% within year	49.9%	50.1%	100.0%
	2003	Count	625	796	1421
		% within year	44.0%	56.0%	100.0%



As seen from this table, the proportion of respondents who stated that there were ethical resources available within their organization decreased significantly from 2000 to 2003 (Chi-square (1) = 9.78,  $p = 0.002$ ).

*Changes in the Observation of Unethical Behavior between 2000 and 2003*

Given that no significant differences were observed across occupational groups and genders, a cross-tabulation analysis was performed for the overall sample. Results are presented in Table 30.

Table 31. *Cross-Tabulation between Year and Observation of Unethical Behavior, for Whole Sample*

Year			NBES question 6		Total
			Yes	No	
2000	Count		467	1019	1486
	% within year		31.4%	68.6%	100.0%
2003	Count		324	1170	1494
	% within year		21.7%	78.3%	100.0%

As seen from this table, the proportion of respondents who stated that they observed unethical behaviors within their organization decreased significantly from 2000 to 2003 (Chi-square (1) 36.24,  $p < 0.001$ ).

Summary

This chapter presented the findings for the 10 hypotheses associated with the secondary research questions. Discussion of these finding and the conclusion are presented in chapter 5.

## CHAPTER 5: RESULTS, CONCLUSIONS, AND RECOMMENDATIONS

### Introduction

The Sarbanes-Oxley Act of 2002 and the United States Sentencing Guidelines provided guidelines for corporations to follow and consequences for ethical violations (Adobor, 2006). SOX was created in the wake of multiple ethical lapses, including Enron and WorldCom, and its purpose is to hold senior executives accountable for the statements made and the accuracy of their financial reporting (Maco, 2002).

The consequences of ethical lapses have resulted in a range of impacts, from executives sentenced to prison to the loss of jobs by employees, financial loss for shareholders, and perhaps most notable, an erosion of trust in corporate America. This has led to the development of ethics training programs and policies with the general aim of increasing awareness of and support for ethical behavior. Ethics training programs and stated or restated ethics policies are key elements in organizational governance and provide means to measure ethical behavior. Because company ethics programs are a substantial commitment and investment for the organization, a visible change in awareness is expected (Kubal et al., 2006). The United States Sentencing Commission Guidelines in Chapter 8 (2006) made recommendations for effective ethics programs. Ethics programs contain elements such as a code of ethics, an ethics communication system, and ethics training, with the intention of influencing ethical behavior. The

problem is that there has only been ad hoc assessment of this change, and a more disciplined assessment is needed to attest to the desired effect of these programs and policies.

The primary aim of this study was to explore whether employees' perception of organizational ethics programs changed, subsequent to passing the Sarbanes-Oxley legislation. This longitudinal study measured the change in group and subgroup responses to the same questions before and after the Enron scandal. For the purposes of this study, employees' perceptions of ethics changes were measured using secondary data from the National Business Ethics Surveys of 2000 and 2003 in order to test data that was just prior to and immediately following the implementation of the Sarbanes Oxley legislation in 2002. These survey results provided the closest survey data points in terms of timing to the SOX implementation for ethics issues and organizational programs included written standards, training on those standards, and the availability of ethical resources. The ethical program effectiveness was measured by reported observed unethical behavior and the frequency of this behavior. The subgroups for this study included occupational categories and gender.

The data was provided by the Ethics Resource Center (ERC) of Washington, D.C., which conducted both the National Business Ethics Survey (NBES) 2000 and 2003 surveys as random household telephone surveys of adults who were employed at least 20 hours a week in an organization that employed two or more persons. The research questions for this study were based on the premise that ethical programs have been shown to have a significant impact on the ethical conduct of employees (Di Lorenzo, 2007; Nwachukwu & Vitell, 1997; Sandelands, 2006; Trevino et al., 1999; Weaver et al.,

1999b). The results, conclusions, and recommendations presented in this chapter were based on the findings covered in detail in the previous chapters.

### Summary of the Results

For each of the questions proposed for the study, Pearson's chi-square tests of independence were performed on the cross-tabulation of frequencies of dichotomous *Yes/No* responses to the questions in the survey instrument.

*Table 32. Occupational Category Summary of Significant Change*

Survey Questions	Professional or Technical	Administrative or Clerical	Other	Management
Does your organization have any written standards of ethical business conduct? NBES question 1	Yes Decreased	Yes Decreased	No	Yes Decreased
Does your organization provide training on its standards of ethical conduct? NBES question 2	No	No	No	No
Does your organization have a specific office or telephone line where you can get advice about business ethics issues? NBES question 3	No	Yes Decreased	No	Yes Decreased
During the past year, have you personally observed conduct that you thought violated the law or your organizations standards of conduct? NBES question 6	Yes Decreased	No	Yes Decreased	Yes Decreased

### *Summary of Results by Occupational Groups*

The first research question addressed the change in the perception of the existence of written ethical standards after the implementation of SOX among occupational groups (professional or technical, administrative or clerical, management, or

other). Findings showed that the proportion of individuals who perceived that there were written standards of ethical business conduct within their organization varied significantly between 2000 and 2003 for professional/technical, administrative/ clerical, and managerial employees. In particular, the findings showed that the significant decrease in awareness of the existence of written ethical standards was similar for all occupational groups.

Results for the second research question showed that the proportion of individuals who perceived that there were ethics training program within their organizations did not significantly change between 2000 and 2003 for the four occupational groups. Further results confirmed that there were no changes in the perceptions of ethical training programs for any of the occupational groups.

The third research question addressed the change in the perception of the existence of the availability of ethics resources (help line, ethics office, etc.) after the implementation of SOX among occupational groups. Findings from the results showed that the proportion of individuals who perceived that there were ethical resources available within their organization varied significantly between 2000 and 2003 for administrative/clerical and managerial employees. In particular, findings showed that the decrease in perception of availability of ethical resources was not significantly different among the four occupation groups.

Findings from test results for change in the proportion of individuals personally observing conduct that they thought violated their organization's standards of conduct after the implementation of SOX showed that the proportion of individuals who observed unethical behaviors within their organization varied significantly between 2000 and 2003

for professional/technical, managerial, and other employees. In these three cases, the proportion of respondents who thought that they observed conduct that they thought violated the law or their organization's standards of conduct decreased from 2000 to 2003. In addition, this decrease in proportion of individuals who observed conduct that they thought violated the law was not significantly different among the four occupation groups.

Findings from the tests, which examined the change in the perception of frequency of unethical behavior after the implementation of SOX among occupational groups, showed that the frequency of observations of unethical behaviors varied significantly between 2000 and 2003 for professional/technical, and managerial employees. In both cases, it would appear that *Rarely* was a more common frequency in 2003 than in 2000, suggesting that the frequency of observed unethical behavior decreased between 2000 and 2003 for these two occupational groups.

Summarizing the findings of the results by occupational groups, two major findings that emerged were the significant decrease in awareness of the existence of written ethical standards and availability of ethical resources, but no significant changes in the perceptions of ethical training programs, across all occupational groups. It must be noted, though, that while there were no significant changes in the perceptions of ethical training programs for any of the occupational groups, there was a significant decrease in the proportion of individuals who observed conduct that they thought violated the organization's standards of conduct, and that the frequency of observed unethical behaviors decreased between 2000 and 2003.

The occupational groups' perceptions of organizational response to ethical issues, with respect to written ethical standards and availability of ethical resources, had decreased in 2003 in comparison to 2000. However, perceptions with respect to the effectiveness of the ethical programs remained unchanged, which suggests that the participants were still mostly aware of the effectiveness of the ethical programs in that fewer violations of ethical conduct were observed.

Table 32. *Gender Summary of Significant change*

Research Questions	Male	Female
Does your organization have any written standards of ethical business conduct?	Yes Decreased	Yes Decreased
Does your organization provide training on its standards of ethical conduct?	No	No
Does your organization have a specific office or telephone line where you can get advice about business ethics issues?	No	Yes Decreased
During the past year, have you personally observed conduct that you thought violated the law or your organizations standards of conduct?	Yes Decreased	Yes Decreased

#### *Summary of Results by Gender*

Results for changes in the perception of the existence of written ethical standards after the implementation of SOX between male and female employees showed a significant decrease in the perceptions of written standards between 2000 and 2003 for both males and females in the sample. Findings showed that this decrease was similar for both genders.

Findings from the results showed that there were no changes in the perception of the existence of ethical training within their organization between 2000 and 2003, after the implementation of SOX , for males or for females, and that there were no changes for either males or females in the perceptions of ethical training programs.

Findings for the tests results of the change in the perception of the existence of the availability of ethics resources (help line, ethics office, etc.) after the implementation of SOX showed that the proportion of individuals who perceived that there were ethical resources available within their organization varied significantly between 2000 and 2003 for females, but not for males. The proportion of females who stated that there were ethical resources available within their organization decreased significantly from 2000 to 2003, but decreased only marginally significantly for males. The decrease in perception of availability of ethical resources was not significantly different between males and females.

Findings showed that the proportion of individuals who observed unethical behaviors within their organization varied significantly between 2000 and 2003 for both males and females. In both cases, the proportion of respondents who observed unethical behaviors within their organization decreased from 2000 to 2003. Similarly, findings showed that the frequency of observation of unethical behaviors varied significantly between 2000 and 2003 for males and for females. In both cases, it would appear that *Rarely* was a more common frequency in 2003 than in 2000, suggesting that the frequency of observed unethical behavior decreased between 2000 and 2003 for both males and females.



As with the occupational groups, in a summary of the findings of the results by gender, two major findings that emerged were the significant decrease in awareness of the existence of written ethical standards and availability of ethical resources, but no significant changes in the perceptions of ethical training programs, across all occupational groups. In addition, while there were no significant changes in the perceptions of ethical training programs for both males and females, there was a significant decrease in the proportion of individuals who observed conduct that they thought violated the organizations' standards of conduct, and that the frequency of observed unethical behaviors decreased between 2000 and 2003.

#### Overall Summary of Findings

Individual test result findings showed that there was no significant change from 2000 to 2003 in perceptions of existing training programs between both genders and each occupation group. However, the tests results showed that there was a significant decrease from 2000 to 2003 in the following perceptions.

1. The existence of written standards for ethical business conduct for both males and females, and for professional/technical, administrative/ clerical, and managerial employees.
2. The existence of ethical resources available within their organization for females, and for administrative/clerical and managerial employees.
3. Of violations of ethical laws within their organization for both males and females, and for professional/technical, managerial, and other employees.
4. The frequency of observations of unethical behavior for both males and females, and for professional/technical and managerial employees.

Summarizing the findings for the tests on occupational groups (professional or technical, administrative or clerical, management, or other) and on gender, the results showed that between the four occupation groups, and between genders, there were no significant changes in perception of organizational response to ethical issues from 2000 to 2003. However, findings showed a significant decrease in perception of written ethical standards, availability of ethical resources, and frequency of observed ethical violations for all occupation groups and genders from 2000 to 2003. No significant change was observed in perceptions of effectiveness of ethical programs for all occupation groups and genders from 2000 to 2003.

The data showed that while perceptions, with respect to the effectiveness of the ethical training programs, in terms of awareness of training provided by organizations on its standards of ethical conduct, had not significantly changed for either occupational groups or for genders, the sample proportions, on average, for awareness of these training programs was more than 50%. This suggested that the training programs might have been effective within the organizations, given that this study found a significant decrease in observed violations of ethical conduct from 2000 to 2003.

Examining the effectiveness of the SOX, in terms of the findings from this study, highlighted some limitations. The findings that showed a decrease in awareness for some of the subgroups of observed violations of ethical conduct would suggest that the implementation of SOX was successful; however, the findings also showed a decrease in awareness for some of the subgroups of the existence of written ethical standards and availability of ethical resources. This may suggest a number of reasons for the results. The implementation of SOX succeeded in establishing ethical standards, but with time,

emphasis on ethical standards decreased, resulting in the decrease of awareness, and that SOX was not successful because employees were less aware of ethical standards after its implementation.

Perhaps, based on the amount of attention and press given to the issue, the definitions the participants used for ethical programs may have changed. For example, since Enron and other companies' problems were so extreme, perhaps their organization appeared less offensive in comparison. Conversely, given the debacle, what participants previously defined as adequate standards and programs may now seem ineffective. Another possible explanation is that after the implementation of SOX, people wanted to see their companies implement policies in order to save their own jobs and savings, and their expectations of what constitutes an acceptable ethics policy changed, creating a perceived gap. Another possibility is that as people become more vigilant in addressing and preventing ethical violations on their own, violations are going down with or without a formal ethics program. People may have, on their own, become more conscious of the potentially devastating consequences of unethical conduct, so that from a self-preservation standpoint, they have chosen not to behave unethically. Some combination of the above explanations is also possible.

One of the potentially limiting factors of this study was the grouping of the sample data into occupation and gender only. Different findings might have been obtained, had the sampling included organizational type as a modifying factor, in light of the fact that the NBES found varying degrees of awareness based on organizational type and size.

## Implications for Theory

The foundation for ethical behavior is integrity, and the presence of integrity has been shown to improve overall organization effectiveness (Appelbaum et al., 2005; Audi & Murphy, 2006; Storr, 2004; Trevino et al., 2006). The ethical culture that a company promotes is crucial to keeping that company within acceptable ethical guidelines that all stakeholders accept. Integrity on a leader's part is an important aspect to understand when dealing with ethical behavior.

Ethical behaviors among individuals at work are generally found to be less ethical than the same individual outside of work (Tsahuridu, 2006). Exploring anomie at work can help to understand this phenomenon. Anomie can be explained as the loss of standards and values in a person or society, which may lead to the breakdown of the norms and rules of conduct that govern a society.

The significance of this research was to determine whether the perceptions of organizational responses to ethical issues were equal across various occupational groups and whether the perceptions changed after the implementation of SOX. The study investigated the progress of organizational response and the subsequent legislative efforts to curb lapses in ethical behavior. Corporations invested time and money to implement ethics programs as a result of SOX to improve the ethical conduct of their organizations (Sandelands, 2006).

Occupational categories reflected an attempt to divide work into relatively broad categories of job duties. Previous research on how ethics are perceived by employees in various occupational categories had mixed results. The research conducted by Jin et al. (2007) resulted in a difference between information technology professionals and

managers in their perception of organizational ethics. In another study, the tolerance for unethical behavior appeared to decrease with formal business education (Lopez et al., 2005). In a study of business students who were asked to role-play scenarios as managers and employees, the managers acted more ethically than did the employees (Kaynama et al., 1996).

### Study Implications

Farrell and Cobbin (2000) suggested that a corporation can begin setting an ethical tone by producing a corporate ethics statement, which is one way to present the corporation's intent to all stakeholders, including a code of ethics that contains values, rules, and ethical guidance. However, this study showed that the study sample of grouped respondents (occupations and gender) observed fewer unethical behaviors within their organization in 2003 than in 2000, even though they had become less aware of the existence of written ethical standards and available ethical resources. This study, contrary to Farrell and Cobbin, suggested that the decrease in the perception of ethical policy did not seem to make a difference in the perceived violations.

In particular, this research study identified managerial and female employees as showing significantly less awareness of the existence of written standards and available ethical resources, ethical program effectiveness, and the frequency of observations of unethical behavior within their organizations in 2003 than in 2000. Professional or technical and male employees were identified as showing significantly less awareness of the existence of written standards, ethical program effectiveness, and the frequency of observations of unethical behavior within their organization. Administrative or clerical

employees identified significantly less awareness of the existence of written standards and ethical resources available within their organization in 2003 than in 2000. Employees grouped as “Other” were identified significantly less awareness of ethical program effectiveness.

Occupational categories reflect an attempt to divide work into relatively broad categories of job duties. Previous research on how ethics are perceived by employees in various occupational categories had mixed results. The research conducted by Jin et al. (2007) resulted in a difference between information technology professionals and managers in their perception of organizational ethics. In another study, the tolerance for unethical behavior appeared to decrease with formal business education (Lopez et al., 2005). In a study of business students who were asked to role-play scenarios as manager and employee, the managers acted more ethically than the employees (Kaynama et al., 1996).

In this research study, the findings identified managerial and female employees as reporting significantly less awareness of written standards and available ethical resources, ethical program effectiveness, and the frequency of observations of unethical behavior within their organization in 2003 than in 2000. The study could not determine if the program elements were in place and participants were not aware of them or if the program elements did not exist. Professional or technical and male employees reported significantly less awareness of written standards, ethical program effectiveness, and the frequency of observations of unethical behavior within their organization. Administrative/clerical employees showed significantly less awareness of the existence of written standards and ethical resources available within their organizations in 2003

than in 2000. The study could not determine if the program elements were in place and the participants were not aware of them or if the program elements did not exist. Employees grouped as “Other” were identified as showing significantly less awareness of ethical program effectiveness.

With regard to the overarching study question, “What was the change in perception in the awareness of organizational responses to ethical issues between 2000 and 2003 across all occupational groups?” the study findings indicated that there was a general decrease in the perceived awareness of organizational responses to ethical issues across the sample.

#### Assumptions and Limitations

Data from the National Business Ethics Survey (NBES) from 2000 and 2003 was used to measure the perception differences of the awareness of ethical programs and their effectiveness among occupational groups. The researcher assumed that the survey data was accurately collected, recorded, coded, and categorized, and that the responses accurately reflected the respondents’ beliefs and perceptions related to the questions. The study did not measure the presence or absence of ethics programs and resources within the individual organizations, but only the participants’ perceptions of whether such resources existed. The study measured differences at the group level and as subgroups. Individual participants’ changes in perceptions were not tracked.

NBES has conducted multiple surveys on how employees view ethics in their organization. Their findings indicated that written ethics standards, ethics training, and ethics resource availability had various degrees of awareness based on organization type

and size. The NBES study focused on the macro analysis of ethical programs and their perceived awareness of the organizational responses to ethical issues.

As with any survey, the ERC survey is subject to intentional deception, or respondents may misunderstand a question, causing an inaccurate response. Non-responses to questions or failure to respond to a survey question may produce an error. To minimize the potential threat to the validity of the instrument, respondents were omitted from the statistical analyses if there were any non-responses.

### Recommendations for Future Research

The results of this research suggested several potential areas for future research. First, more research in the field is needed to understand the impact of SOX on ethics programs and the subsequent perceptions of occupational groups and gender. Because this research focused on perception of ethics programs and observation of unethical behavior prior to and following the implementation of SOX, future research could include a replication of this study post-SOX. This type of study could lead to insights on ethics program effectiveness versus SOX impact. A second area of research could extend to participant groups of age, years of education, and salary and could yield interesting results.

A third area of research is recommended in the area of gender difference to understand better the differences in ethical perceptions. Additional research of this type could provide valuable information in the study of ethics program impact on male and female employees. A fourth area of research in the area of the effectiveness of ethical policy and standards on ethical behavior might yield some interesting results. Similar



research should be conducted using open-ended, qualitative interviewing, allowing the researcher to gain a better understanding of the differences in perception of written ethical standards, training, availability of ethical resources, and changes in the observation of unethical behavior. Finally, a research study to determine if these findings of decreased perception of ethical programs and a corresponding decrease in observed unethical behavior can be replicated using a more recent time period.

### Conclusions

The main goal of this study was to investigate whether there were any changes in perceptions of awareness of organizational responses to ethical issues, by examining data grouped by occupation and gender. This study was unable to establish any differences in perceptions between the occupational groups or between males and females, but did establish that there was a general decrease in the perceived awareness of organizational responses to ethical issues across the sample, from prior to the Enron scandal in 2000 to a period after in 2003. In particular, this study showed that there was a decrease in the number of observed behavioral violations of ethical conduct.

The implications of these findings are that while ethical programs may appear be effective due to the decrease in observed violations of ethical conduct, the findings highlighted a significant decrease in awareness of the existence of written ethical standards. In order to determine the effectiveness of ethics training programs brought about as a result of SOX, the researcher recommends that further studies need to be conducted to investigate the possible reasons for this perceived decrease in awareness of the existence of written ethical standards and availability of ethical resources.

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