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INTEGRATED AND DECOUPLED CORPORATE SOCIAL PERFORMANCE: MANAGEMENT COMMITMENTS, EXTERNAL PRESSURES, AND CORPORATE ETHICS PRACTICES

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Corporations can respond to expectations for socially responsible processes and outcomes in organizationally integrated ways or in easily decoupled fashion. This study focused on a particular type of socially responsible organizational process: formal corporate ethics programs. Theory suggests that external pressures for social performance encourage easily decoupled processes but that top management commitments can encourage both easily decoupled and integrated processes. Analysis of survey and archival data generally supported this position. Implications for social performance research, practice, and public policy are discussed.

Corporations are subject to multiple pressures to operate in a socially responsible fashion. Some of these influences are external to a company, such as explicit government requirements or more general expectations of social legitimacy (DiMaggio & Powell, 1983; Wood, 1991). Other influences on social performance are internal to a company, often reflecting the commitments of key managers (Greening & Gray, 1994; Miles, 1987). Corporations' responses to expectations for responsible behavior can also vary (Oliver, 1991). In some cases, pressures for social responsibility may generate meaningful changes that are integrated into the regular affairs of the company. In other cases, however, corporate responses to pressures for responsible behavior tend to be "window dressing," responses that can be easily decoupled from normal, ongoing organizational activities (Meyer & Rowan, 1977).

In an empirical study of *Fortune* 1000 companies, we examined how external influences from government, media, and the business community and management commitment to profit making and ethical responsibility worked together to determine the integration and decoupling of a specific kind of social performance: formal corporate ethics programs. In this article, we build on our prior research, which showed how the scope and control orientations of ethics programs reflect influences from the external institutional environment and from top management's commitment to ethics (Weaver, Treviño, & Cochran, 1999a). Here, however, we consider a broader range of management commitments, and we propose that both external pressures and management's commitments to ethics and to financial and strategic success are responsible for the use of easily decoupled ethics program elements in companies that have ethics programs. But we also hypothesize that top management's commitment to ethics is primarily responsible for the use of integrated practices in companies' ethics programs.

CORPORATE ETHICS PROGRAMS: INTEGRATED AND EASILY DECOUPLED SOCIAL PERFORMANCE

Although corporations can encourage ethical behavior in informal ways (Cohen, 1993; Treviño, 1990), much effort has been directed toward implementing *formal* programs and policies for guiding ethical behavior in American corporations (Berenbeim, 1992; Center for Business Ethics, 1992; Weaver, Treviño, & Cochran, 1999b). Common elements of corporate ethics programs include training activities, formalized procedures for auditing and evaluating ethical behavior, disciplinary processes for failures to meet ethical expectations, dedicated ethics telephone lines, formal ethics departments and officers, and cross-functional com-

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mittees for setting and evaluating ethics policies and procedures. Ethics programs ostensibly bring the behavior of organization members into conformity with a shared ethical standard; they constitute an organizational control system that encourages either shared ethical aspirations or compliance with rules, or both (Paine, 1994; Weaver & Treviño, 1999).

Theory suggests that ethics programs can enhance company performance (Donaldson & Preston, 1995; Gatewood & Carroll, 1991; Quinn & Jones, 1995), usually by bringing an organization's decisions and actions more into conformity with societal ethical expectations. Ethics programs may help generate legitimacy-enhancing organizational outcomes, a key indicator of corporate social performance (Wartick & Cochran, 1985; Wood, 1991) and an important contributor to overall organizational success (Ashforth & Gibbs, 1990). Ethics programs can also contribute to legitimacy by signaling that the company conforms to societal expectations in its internal organizational processes and structures.

Origins of Corporate Ethics Programs

According to institutional theory (DiMaggio & Powell, 1983; Scott, 1995), pressures for legitimacy may reside in the explicit demands of societal institutions, such as government agencies (Miles, 1987) and the media (Greening & Gray, 1994), or in the fact that certain forms of thought or action become taken for granted, or infused with intrinsic value (Berger & Luckmann, 1967; Selznick, 1957). Academic research and practitioner commentary on ethics programs have cited a variety of institutional pressures for ethics programs, including government, media, and fashion-setting members of the business community (Metzger, Dalton, & Hill, 1993; U. S. Sentencing Commission, 1995; Weaver et al., 1999a).

Treating ethics programs *merely* as legitimacy-preserving responses to external pressures, however, offers an unrealistically constrained view of their origins. Such a view is too deterministic, as it ignores the role of managerial choice in organizational decisions (Child, 1972, 1997; DiMaggio, 1988; Hitt & Tyler, 1991). Research on strategic choice suggests that executives' characteristics—including their values and commitments—play an important role in affecting organizational actions (Hambrick & Finkelstein, 1987; Hambrick & Mason, 1984). Business ethics research also stresses top management's role in influencing organizational ethics practices (Jones; 1995; Paine, 1996).

Research on corporate social performance includes managerial discretion among the factors that influence a company's social performance (Wood, 1991). In a theoretical analysis of corporate social performance, Swanson (1995) explicitly argued that management's positive sense of ethical propriety needs to be considered along with more pragmatically focused managerial concerns; some instances of social performance might be instances of "positive duty" rather than merely "negative" efforts to avoid sanctions (Swanson, 1995: 48). Managers should be viewed as taking ethical considerations into account in their ordinary, everyday decisions and actions (Freeman, 1995). Executives sometimes may take a particular stance toward ethics programs because doing so is presumed to enhance or maintain organizational legitimacy and thus contribute to financial performance by securing the support of key institutional actors. But executives' stances toward ethics programs *also* can reflect their own commitment to responsible, ethical behavior as an end in itself. Thus, in our study we considered the influences of management's commitment both to financial and strategic concerns and to ethics on the integration and decoupling of formal corporate ethics programs.

Integrated and Easily Decoupled Ethics Programs

Often a wide gulf can separate line managers and the task-related core of an organization from staff functions developed in response to external pressures (Pfeffer & Salancik, 1978). For example, Greening and Gray (1994) observed that some companies' environmental assessment programs influence planning and line management but that other companies' programs are decoupled from these everyday organizational activities. *Integrated* structures and policies affect everyday decisions and actions; decisions are made in light of these policies, and people occupying these specialized structures have the confidence of and regular interaction with other departments and their managers. An integrated structure or policy is likely to be supported by other organizational policies and programs. Thus, managers and employees are held accountable to it, take note of it, and see it as having a valued role in the organization's operations. But not every structure or policy developed in an organization in response to external pressures will be integrated into everyday decisions and actions. Some structures can be decoupled easily. Structures that might, with the proper supports, have an impact on the organization can also be marginalized or disconnected from its everyday workings. Such decoupling is likely to occur when demands of institutional legitimacy appear to conflict with other organizational goals (Meyer & Rowan, 1977). An *easily decoupled* structure or policy provides the appearance of conformity to external expectations while making it easy to insulate much of the organization from those expectations. Although the structure or policy exists, there is no guarantee that it will regularly interact with other organizational policies and functions or that employees will be accountable to it.

Easily decoupled ethics practices: Policy communications. Ethics programs can vary in the extent to which they are integrated or easily decoupled, even among companies that have ethics codes, ethics-dedicated telephone lines, ethics officers, and other basic elements of ethics programs. For example, at a major financial services firm, we observed a meeting of about 25 middle managers in which the company's general counsel—formally charged with responsibility for ethics and legal compliance issues—distributed copies of several of the company's ethics policy documents to the middle managers. The general counsel inquired as to whether the middle managers ever had heard of or seen these policies before. *Every* middle manager denied prior knowledge of the policies. In fact, however, every one of them had signed a copy of each policy as a condition of employment. In this organization, even though basic elements of an ethics program were in place, some elements were decoupled from the everyday thinking of ordinary managers. Taken by itself, this company's policy lacks the kind of attributes and support (for instance, accountability mechanisms) that encourage salience in the minds of employees.

Easy decoupling seems particularly likely in the case of company efforts to communicate an ethics message to employees through memos, reminders, and policy documents—one of the ethics program practices most commonly used by businesses (Berenbeim, 1992; Center for Business Ethics, 1992). Employees receive many, sometimes conflicting, communications about what is important in their organizations. Ethics-oriented communications may be presented without any indication that the message is relevant to the responsibilities and goals of individual employees in their particular organizational circumstances. Such personally irrelevant communications are unlikely to trigger attention on the part of employees (Petty & Cacioppo, 1986). Therefore, by themselves memos and reminders about ethics may be perceived by employees as distractions to be skimmed (at best), "filed," and forgotten. In some companies, ethics communications may have an impact because supporting mechanisms either reinforce or hold employees accountable to the ethics message. But in themselves, ethics policy communications are more easily decoupled than are other ethics program practices.

Integrated ethics program practices: Ethics-oriented performance appraisal. By contrast, some companies' ethics programs and policies are linked more strongly to everyday organizational activities (Cohen, 1993; Metzger et al., 1993; Weber, 1993). Reward systems may reinforce the message of the ethics program (Treviño, 1990), especially if ethics concerns are made a part of regular performance appraisals. For example, at a health care products company we examined, one-third of every manager's annual raise depended on a performance appraisal focused on how well the manager carried out the company's ethical ideals (as evaluated by superiors, peers, and subordinates). Although such an evaluative practice raises questions of subjectivity in appraisal, the practice defines conduct in accordance with ethical values as an identifiable part of employees' expected behavior. Including concern for ethics in performance appraisals creates accountability to and salience for ethical expectations by linking ethics to important personal consequences.

HYPOTHESES

External Influences on Ethics Program Integration/Decoupling

Expectations for legitimacy-enhancing corporate structures and behavior can arise from multiple sources. We focus on explicit pressure from relatively entrenched, influential, and pervasive elements of the external environment: government and the news media (e.g., Greening & Gray, 1994; Meznar & Nigh, 1995; Miles, 1987; Wartick, 1992). But we also consider the influence of standard-setters from the business environment on corporate ethics practices (Abrahamson, 1995; DiMaggio & Powell, 1983).

Government. In 1991, the United States Sentencing Commission (USSC) implemented sentencing guidelines for organizations convicted of violating federal law (U.S. Sentencing Commission, 1994). Academic and practitioner observers have credited the guidelines with encouraging the development of corporate ethics programs (Metzger et al., 1993; U.S. Sentencing Commission, 1995). The guidelines offer the prospect of greatly reduced fines and penalties to convicted organizations that can demonstrate formal attempts to guide their own behavior toward legal compliance. But despite their potential impact, the guidelines have not entered the consciousness of all executives equally. For example, the chief counsel at a major bank confided to us that he knew nothing of the guidelines, even though they had been adopted four years earlier. Therefore, we should not be surprised if executives' awareness of the guidelines varies across organizations.

The more that key decision makers are aware of the USSC guidelines' stipulations and incentives, the more we should find an organization implementing at least the easily decoupled elements of ethics programs. In part this is because the guidelines specifically mention easily decoupled practices like policy communication; providing policy communications is a way to "check off" one of the USSC's criteria for proactive efforts to insure proper behavior. But ethics policy communications also provide inexpensive and easily documented ways to demonstrate that a company is doing something about ethics and legal compliance. Codes of ethics and other formal ethics communications can be distributed to institutional actors, and records can be kept documenting how often employees receive these communications. Yet the communications themselves can be decoupled, if necessary, to preserve the autonomy of other aspects of the organization's everyday processes.

Hypothesis 1. The more a company's top management is aware of the USSC guidelines, the more the company's formal ethics program will incorporate easily decoupled practices such as policy communication (for example, memos, reminders, and newsletters).

Negative media attention. Critical media attention prompts organizations to respond in ways that will preserve or restore their legitimacy (Ashforth & Gibbs, 1990; Greening & Gray, 1994; Wartick, 1992). Corporations may respond to media scrutiny of their ethical failings by adopting one or more elements of a formal ethics program in order to demonstrate their intentions for future good behavior. For example, recent ethical and legal scandals at the health care firm Columbia/HCA prompted the introduction of a formal ethics office in late 1997, headed by a well-known veteran of the defense fraud clean-up of the 1980s (Pasztor & Lagnado, 1997). However, negative media attention may not correspond to genuine organizational problems. Moreover, even when a company's failings are real, management's priorities may dictate that the company respond with policies and programs that look good to outside observers but that can be decoupled, if necessary, from the day-to-day activities of the company. Given these possibilities, we expect critical media attention to influence the development of easily decoupled ethics program practices. Something must be done to placate media critics, but since media demands do not necessarily reflect real problems or mesh well with organizational goals, responses are likely to be of the easily decoupled sort.

Hypothesis 2. The more negative media attention a company receives for real or alleged ethical failures, the more the company's formal ethics program will incorporate easily decoupled practices such as policy communication.

Business standard-setters. Institutional theory shows that business organizations imitate each other and also are influenced by standard-setters who set criteria for good business practice (Abrahamson, 1996; DiMaggio & Powell, 1983). These standard-setters include high-profile consultants, business schools, business publications, and professional and business associations. In regard to setting standards for ethics practices, the Conference Board—a high-profile business association—has been particularly active. The Conference Board's annual ethics meetings are typically attended by several hundred mid- to high-level executives who come to learn about what their organizations might do to encourage ethical behavior. We have attended six recent annual meetings, during which emphasis was given to practices like ethics communications. Thus, we would expect that a company's attendance at Conference Board meetings would encourage it to adopt more extensive efforts to communicate ethics policies to employees. By doing so, the company demonstrates conformity to currently accepted good business practice. But we also expect Conference Board attendance to affect ethics policy communications because such communications can easily be decoupled from other organizational processes. It may be important to insiders and outsiders for a business to look up to date in regard to currently fashionable business practices. But pressures to look current might not mesh well with an organization's normal practices and day-to-day task-related needs.

Hypothesis 3. A company's presence at Conference Board ethics meetings will be positively associated with the use of easily decoupled practices such as policy communication in the company's formal ethics program.

Management Commitments and Ethics Program Integration/Decoupling

The fact that ethical behavior can be valued both for its own sake *and* for instrumental, legitimacy-enhancing reasons suggests that both management's concern for ethics itself and its concern for strategic, financial, and operational success should influence ethics program characteristics.

Management's commitment to financial and strategic performance. Business executives are expected to be committed to the financial, strategic, and operational success of their organizations. Given the business benefits of conformity to institutional pressures (Wood, 1991), management's concern for performance issues entails an instrumental interest in ethics programs. But commitment to financial, strategic, and operational performance should favor those elements of ethics programs that symbolize conformity to institutional pressures while allowing management the possibility of independence from those pressures. Top management's normal commitment to financial success, in short, is likely to encourage the adoption of easily decoupled ethics program practices. Easily decoupled practices signify a concern for ethics—thus contributing to enhanced legitimacy. But, if necessary, they can be decoupled, thereby maximizing management discretion in pursuit of strategic and financial goals.

Hypothesis 4. The more a company's top management is committed to financial, strategic, and operational concerns, the more the company's formal ethics program will incorporate easily decoupled practices such as policy communication.

Management's commitment to ethics. In addition to being committed to typical financial, strategic, and operational concerns, top managers may also be committed to ethics for its own sake (as discussed above). Executives with this kind of outlook are periodically featured in the business press—examples are Robert Haas of Levi Strauss (Haas, 1994) and Tom Chappell of Tom's of Maine (McCune, 1997). Such executives express concern for integrity, fair treatment of others, and "doing the right thing" for its own sake, and not merely for instrumental benefits. This kind of executive commitment to ethics should influence organizational characteristics for several reasons: other managers, including those who manage ethics programs, may adopt top management's outlook through social learning; top management sets standards for reward and punishment that help define acceptable behavior (Treviño & Youngblood, 1990); the language used by top management helps to create an interpretive framework that can highlight the importance of ethical issues (Baucus & Rechner, 1995); and top managers contribute to defining the organizational culture by their own behavior (Treviño, 1990). Minimally, such executives are likely to wish to communicate their commitment to ethics through a variety of means. Thus, we should expect such executives to support ethics program communication activities, even though those activities could, in some situations, easily be decoupled.

Hypothesis 5. The more a company's top management is committed to ethics, the more the company's formal ethics program will incorporate easily decoupled practices such as policy communication.

We also expect these executives to follow through on their commitment to ethics in ways that will capture the attention of employees, holding employees accountable to ethical expectations. They will define ethical roles not only through ethics policy documents, memos, and other communications, but also through more deeply embedded organizational activities whose implications are difficult to avoid. Thus, executive commitment to ethics should encourage practices such as the explicit inclusion of ethical concerns into regular employee performance appraisals, as occurred at the health care products firm described earlier. Such practices give a company's ethics policy a more substantive role. The personal relevance to employees that such practices create is important for getting employees to focus on the content of the organization's ethical standards (Petty & Cacioppo, 1986). Practices like ethics-related performance appraisals integrate ethics expectations into regular organizational activities because they make concern for ethics part of employees' formal role identities and make business ethics relevant to outcomes that are personally important to employees.

Hypothesis 6. The more a company's top management is committed to ethics, the more the company's formal ethics program will incorporate integrated practices such as ethics-oriented performance appraisals.

METHODS

Population and Data

We focused our data collection on two 1994 *Fortune* 500 lists, service and industrials. We obtained data from (1) a survey of officers each company identified as responsible for any ethics practices and programs in the company, (2) a database of abstracts of articles from major American newspapers for 1989 through 1994, (3) and registration lists for the Conference Board's ethics meetings. This is the same data set used in our earlier study of ethics program scope and control orientation (Weaver et al., 1999a), but the present study focused on a particular subset of the total sample and used different dependent variables and a different combination of independent variables.

We wanted to get the most accurate perspective possible on the types of ethics practices companies were using. Thus, we sought to identify the most informed respondent at each of the 1,000 companies (cf. Thomas, Clark, & Gioia, 1993). We used the 1994 edition of the *National Directory of Corporate Public Affairs* to contact the public affairs or corporate communications office of each company. Using a standard script for these telephone calls, we asked representatives of these offices to identify the "officer most responsible for dealing with ethics and conduct issues in the company." (If a company was not listed in the *National Directory of Corporate Public Affairs,* we called the human resources office.) This process produced a 990-firm mailing list.

In late 1994, each of the 990 officers we identified was sent a survey and (if necessary) one or two follow-up mailings. We received 254 surveys in response (26%). Given the generally high rank of respondents (57 percent were vice presidents or higher-level executives), this is an acceptable response rate (Hambrick, Geletkancyz, & Fredrickson, 1993). The respondents' average time with the present employer was 15 years (s.d. = 8.4), and the average time in the present position was 5 years (s.d. = 4.4).

We did not expect all of these companies to have formal ethics programs. In some cases, for example, the officer we were able to identify was merely the one to whom responsibility for ethics and conduct issues fell by default, and many of the 254 companies in our original sample were engaged in almost no formal ethics activity. Over a fifth, for example, had *at most* a company code of ethics. Because our questions concerning the integration and decoupling of ethics programs only made sense in the context of formal programs, we needed to select from among the respondents those companies that had formal ethics programs. We thus included five yes/no questions to learn how much each respondent's company was involved in the typical basics of a formal ethics program, asking (1) if the company had an official ethics policy, (2) if the company had formally assigned an officer to deal with ethics and conduct issues, (3) if the company had created an ethics committee, (4) if the company had created a specific department to deal with ethics issues, and (5) if the company had a dedicated telephone line for employees to use to make inquiries or complaints about ethics issues. We summed each company's responses to provide an overall measure of the extent to which the company had adopted the typical basic elements of a formal ethics program ($\bar{x}$ = 2.71, s.d. = 1.32, range 0–5). In order to insure that we were examining integration issues in the context of established ethics programs, we limited analyses concerning the integration of ethics programs to the subsample of 128 companies scoring at or above the mean on this index of formal ethics activity.

Nonresponse and Bias Issues

We found no significant difference between the response rates of the service and the industrial companies. Responding companies fell into 99 different three-digit Standard Industrial Classification (SIC) codes, indicating that we tapped a wide range of industries. We compared respondents with a roughly equal number of randomly chosen nonrespondents on gross revenue, net profit, total assets, return on sales, and return on assets. No significant differences were found. We also compared respondents and nonrespondents on size (number of employees). We found no significant differences after removing three very large outliers.

Companies with little or no formal ethics activity might be reluctant to respond to a survey about ethics practices. Our interest, however, was in companies that were doing at least the basics of formal ethics management. Thus, if largely inactive companies did not respond, that did not affect our results. Even so, as we noted earlier, a fifth of the responding companies did little or nothing to formally manage ethics, having perhaps company codes of ethics but engaging in no other supporting activity. Thus, we do not believe our survey questions precluded responses from companies less active in managing ethics.

Biased responses more likely are a concern in regard to individual informants' answers to questions about particular ethics practices. We sought to reduce the potential for socially desirable responses to individual items by indicating that our questionnaire was not focused on companies' successes or failures, but rather, on learning how companies adjusted their ethics programs to different circumstances. Also, most of our informants were not full-time ethics officers, but rather were employees who invested only a portion of their energies in ethics-related matters. Thus, most respondents' organizational identities did not depend on ethics-related activities.

Dependent Variable Measures

Easily decoupled ethics practice: Policy communications. We measured the use of ethics policy communication practices by asking our ethics-responsible informants to assess the frequency with which "communications which remind them about ethics and conduct issues" were received by employees at four ranks: "high-level management (i.e., vice presidents and higher)," "middle management," "low-level management/supervisory personnel," and "nonsupervisory employees (clerical, skilled labor, etc.)." Respondents gave their answers on this five-point Likert scale: 1, "not at all"; 2, "only at hiring"; 3, "every few years"; 4, "every year"; and 5, "two times per year." For the four questions, Cronbach's alpha was .90. We focused on the *frequency* of communications because of our predictions that more external pressure will generate more of these easily decoupled responses. More pressure means companies churn out ethics-related communications more frequently.

Integrated ethics practice: Ethics-oriented performance appraisals. We measured the use of ethics-oriented performance appraisals with three 5-point Likert items (1, strongly disagree; 5, strongly agree), asking our ethics-responsible informants whether "assessment of a person's ethics is a formal part of performance appraisals," "people get formally evaluated on the ethics of their behavior," and "supervisors are asked to formally assess the ethical performance of their people" (α = .82).

Independent Variable Measures

Management awareness of USSC guidelines. Four 5-point Likert items (1, strongly disagree; 5, strongly agree) assessed managers' awareness of and familiarity with the USSC guidelines (α = .78). These items measured whether executive meetings and communications discussed the impact of the guidelines as well as a respondent's self-assessed personal familiarity with the guidelines and sense that USSC requirements informed company ethics practices. Examples of items are "High-level managers in this firm have discussed the 1991 U.S. Corporate Sentencing Guidelines," "Internal company communications have addressed the impact of the 1991 U.S. Corporate Sentencing Guidelines," "I am familiar with the 1991 U.S. Corporate Sentencing Guidelines," and "The firm's ethics policies and activities developed in response to the 1991 U.S. Corporate Sentencing Guidelines." Data indicate variance in awareness among companies in the study ($\bar{x}$ = 3.59, s.d. = 1.03).

Negative media attention. We counted newspaper article abstracts appearing in Newspaper Abstracts, a database, from early 1989 (the start of the database) through October 1994 (the start of our survey period). Two research assistants were trained to follow common written guidelines in searching for article abstracts suggesting (1) violations of law (such as discrimination in hiring or firing and fraud) (2) threat to the general public (for instance, safety failures), (3) ruthless or deceptive business practices, or (4) hints of undisclosed impropriety (for instance, the suicide of an executive at a company that was under government investigation). One of the authors repeated the search for 10 percent of the companies evaluated by each research assistant. Interrater agreement assessed by the relatively conservative P-statistic (Light, 1971) was 70 percent for the author and one of the assistants and 71 percent for the author and the other assistant.

Presence at Conference Board ethics meetings. We measured company attendance at the Conference Board's annual ethics meetings held prior to the administration of our survey using conference registration lists for 1992, 1993, and 1994. We counted a company as exposed to this standard-setting influence if it appeared on the registration list for one or more of these conferences. We used the three-year time period to allow for the fact that such a standard-setting influence may be effective even though a company does not participate every year.

Top management commitments. Executives' language is an important element in the social learning process influencing subordinates' behavior and organizational norms (Ford & Ford, 1995), so top management commitments expressed verbally are likely to have an important role in shaping organizational action. We relied on informed observers to report the informal conversation topics focused on by top management. This informant-based method is also advisable because, if asked directly, most executives will likely express strong commitment to ethics and to their obvious responsibilities for financial and strategic concerns. Focusing on a behavioral phenomenon like conversation topics and using a third-party observer removes some of the social pressure attached to questions about deeper commitments. Yet the amount of time executives spend discussing various topics should be a good indication of the concerns to which they have committed themselves. Moreover, our responding ethics-responsible officers were more likely than other high-level officers to have a realistic view of senior management's attention to ethics than senior management itself;

top management commitment to ethics—or its absence—should be salient to ethics-responsible officers.

Our responding ethics-responsible officers were asked to indicate "the overall business orientation of your firm's top management by [rating] the extent to which various subjects are a topic of conversation for your firm's top management team (i.e., executive vice presidents and higher)." Five-point Likert scale answers ranged from "never" (1) to "very frequently" (5), with higher frequency being interpreted by us as a sign of greater concern for and commitment to the topic. We offered respondents a list of possible conversation topics intended to indicate commitment to ethics ("doing the right thing," "seeking the good of society," "treating people fairly," "the company's role in society," "valuing integrity as much as profits") and commitment to financial, strategic, and operational matters ("financial performance," "strategy and planning," "stockholders and investors," "productivity and efficiency"). We avoided any hint of instrumental thinking ("good ethics is good business") in the ethics items, focusing instead on intrinsic concern for ethics. Principal components factor analysis with "varimax" rotation yielded two expected factors explaining 60 percent of the variance (Table 1; α = .85 for ethics and .68 for finance/strategy/operations). The lower Cronbach's alpha for financial and strategic commitment likely reflected the diverse range of topics included in the measure.

Control variables. We controlled for the potential effects of financial performance and size. Financial performance was measured as return on assets relative to industry return on assets over fiscal years 1992–94, defining industry at the two-digit SIC level. On this ratio measure, a firm that is at the mean performance level for its industry scores 1.0. Data were obtained from Compact Disclosure. Size was measured as number of employees, with data obtained from the *Fortune* 500 listings.

Analyses. We carried out an omnibus test of significance for the overall model in light of the potential for significant correlations among the dependent variables (Wilks's lambda = .57, F = 5.76, $p < .01$). We then tested hypotheses for each dependent variable in hierarchical regressions, in which controls were entered first as a block, followed by a block with the hypothesized independent variables.

TABLE 1
Factor Loadings for Top Management Commitments[a]

Item	Factor 1: Commitment to Ethics	Factor 2: Commitment to Finance and Strategy
Seeking the good of society	**.80**	.10
Doing the right thing	**.79**	.28
Treating people fairly	**.77**	.23
The company's role in society	**.76**	.08
Valuing integrity as much as profits	**.72**	.28
Financial performance	.07	**.77**
Stockholders and investors	.12	**.73**
Strategy and planning	.28	**.71**
Productivity and efficiency	.23	**.62**
Eigenvalue	3.98	1.38

[a] Bold loadings indicate items defining the factor.

RESULTS

Table 2 provides means, standard deviations, and correlations for all variables.

Table 3 provides results for influences on the use of communication practices in ethics programs. The control variables did not show a significant relationship to the dependent variable (model 1, adjusted R^2 = .01, F = 0.22, n.s.). The complete model (model 2) was significant, and it explained 19 percent of the variance (adjusted R^2 = 0.19, F = 4.72, $p < .01$). Significant independent variables were top management's concern for financial and strategic matters (t = 1.98, $p < .05$), management awareness of the USSC guidelines (t = 2.24, $p < .05$), and company attendance at Conference Board ethics meetings (t = 3.48, $p < .01$). Thus, support is provided for Hypotheses 1, 3, and 4.

Table 3 also offers results for influences on attention to ethics in performance appraisals. The control variables had no significant relationship to the dependent variable (model 1, adjusted R^2 = 0.02, F = 1.95, n.s.). The complete model was significant (model 2, adjusted R^2 = 0.24, F = 12.26, $p < .01$). Top management's commitment to ethics was significantly associated with the use of ethics-oriented performance appraisals (t = 5.64, $p < .01$). These findings support Hypothesis 6.

DISCUSSION

Corporate responses to expectations for social performance can be decoupled from or strongly integrated with regular organizational activities. This study adds to our understanding of socially responsible corporate processes and outcomes by showing how external expectations of legitimacy and top management commitments to ethics and to financial, operational, and strategic concerns lead to integrated and easily decoupled forms of corporate social performance.

TABLE 2
Descriptive Statistics and Correlations[a]

Variable	Mean	s.d.	α	1	2	3	4	5	6	7	8
1. Ethics policy communication: Easily decoupled practice	4.01	0.82	.90								
2. Ethics-oriented performance appraisal: Integrated practice	2.90	1.05	.82	.14							
3. Top management commitment to financial, strategic, and operational concerns	4.55	0.50	.68	.23*	.17						
4. Top management commitment to ethics	3.61	0.78	.85	.11	.44**	.49**					
5. Management awareness of USSC guidelines	3.59	1.03	.78	.28*	.15	.09	.06				
6. Media attention to company's ethical failings	30.03	52.92		.22*	.10	.19*	.18*	.07			
7. Company's attendance at Conference Board	0.35	0.48		.33*	.12	−.03	.07	.20*	.21*		
8. Size[b]	33,745	58,768		.10	.16	.05	.07	−.03	.41*	.12	
9. Financial performance[c]	0.97	6.03		−.10	−.06	−.06	.00	.00	−.07	.04	.03

[a] Usable n ranges from 121 to 128.
[b] Number of employees.
[c] Company ROA/industry ROA, three-year average.
* $p \leq .05$
** $p \leq .01$

Major Findings

The results supported most of the hypotheses and the general notion that external factors are more likely to influence the development of easily decoupled ethics program practices, such as ethics policy communications, than the development of more integrated ethics program practices, such as ethics-oriented performance appraisals. Top management commitment to ethics appears to be required if more integrated practices are to develop. Several other aspects of our findings present interesting lessons and pose questions relevant to understanding why corporations resort to easily decoupled or integrated responses to expectations for responsible action. Our findings are also relevant to the relationship between top management's commitment to ethics and its concern for financial and strategic matters.

Easily decoupled ethics program practices. Top management awareness of the USSC guidelines was positively associated with ethics policy communications, an easily decoupled practice. Company attendance at Conference Board meetings, where ethics communication practices are endorsed, was also positively associated with the frequent use of ethics policy communications. By contrast, negative media attention only showed significant bivariate correlational relationships to ethics policy communications. A significant role in a regression model might have occurred in a larger sample. In the interim, this finding suggests further study of when, why, and how businesses respond to media attention.

Top management commitment to financial and strategic concerns was also related significantly to ethics policy communication. Management may see financial and strategic advantage in these easily decoupled ethics program practices. Interestingly, top management's commitment to ethics itself was not correlated significantly with ethics program communication practices ($r = .11$, n.s.). This result was unexpected in light of our initial argument for Hypothesis 5. However, it reinforces the more general conclusion that easily decoupled communication practices exist largely because of their instrumental value for dealing with external pressures and that integrated practices primarily reflect top management commitment to ethics. Given the existence of external pressures for responsible, ethical behavior, companies simply may be adopting easily decoupled practices irrespective of top management commitment to ethics.

Integrated ethics practices. Our findings support theoretical claims that senior management's personal commitment to ethics is an essential part of what drives organizations to proactive, socially responsible performance (Jones, 1995; Swanson, 1995). Although we detected no bivariate correlations between the use of ethics performance appraisals and any of the tested external pressures, we also conducted an exploratory post hoc regression analysis on these independent

TABLE 3
Results of Hierarchical Regression Analysis for Ethics Communications and Ethics-Oriented Performance Appraisal[a]

	Ethics Communications: Easily Decoupled Practice						Ethics-Oriented Performance Appraisals: Integrated Practice								
	Model 1			Model 2			Model 1			Model 2			Model 3		
Independent Variable	b	s.e.	β	b	s.e.	β	b	s.e.	β	b	s.e.	β	b	s.e.	β
Constant	4.00**	0.09		1.92*	0.67		2.83**	0.12		0.55	0.42		−0.15	0.50	
Size of company	0.00	0.00	0.11	0.00	0.00	0.05	0.00†	0.00	0.17†	0.00	0.00	0.13	0.00	0.00	0.19
Financial performance	−0.02	0.01	−0.12	−0.02	0.01	−0.12	−0.01	0.02	0.07	−0.01	0.01	−0.07	−0.02	0.01	−0.09
Top management commitment to ethics				−0.04	0.11	−0.04				0.65**	0.42	0.47**	0.66**	0.12	0.48**
Top management commitment to financial, strategic, and operational concerns				0.32*	0.16	0.20*									
Management awareness of USSC guidelines				0.16*	0.07	0.20*							0.19*	0.09	0.18*
Media attention to company's ethical failings				0.00	0.00	0.06							0.00	0.00	−0.14
Company's attendance at Conference Board meetings				0.52**	0.15	0.31**							0.12	0.19	0.06
R^2		0.03			0.24			0.04			0.26			0.30	
Adjusted R^2		0.01			0.19			0.02			0.24			0.26	
F		0.22			4.72**			1.95			12.26**			7.51**	
df		2, 108			7, 103			2, 108			3, 103			4, 106	
ΔR^2 [b]					0.22						0.22			0.05	
F for ΔR^2					5.85**						31.78**			9.96†	

[a] $N = 110$ ("listwise" deletion).
[b] Reported ΔR^2 may include rounding errors.
† $p \leq .10$
* $p \leq .05$
** $p \leq .01$

variables (Table 3, model 3). A model including all of the external pressures as predictors of ethics-oriented performance appraisal produced a small, marginally significant increase in explained variance (ΔR^2 = 0.05, $p < .10$). Among the external pressures, only USSC awareness showed a significant relationship to the use of ethics-oriented performance appraisals. A different analysis, in which we considered only USSC awareness along with top management commitment to ethics, showed a significant but even smaller role for USSC awareness ($\Delta R^2 = 0.03$, $F =$ 4.57, $p < .05$). In other analyses, we varied the order of entry of top management commitment to ethics and USSC awareness in order to assess the unique contribution to explained variance of each variable (that is, we conducted a usefulness analysis [Darlington, 1968]). Executive commitment to ethics played a far larger role in explaining the use of ethics-oriented performance appraisals (21 percent of variance uniquely explained) than did USSC awareness (3 percent of variance uniquely explained). Relatively specific external pressures for social performance, like the USSC guidelines, may have some influence on integrated social performance, but that influence remains small in comparison to top management's commitment to ethics.

Study Limitations

Some of our findings are based on cross-sectional data. Thus, even though our theory argues for causal relationships between the independent and dependent variables, we must be careful to consider the possibility of reverse causality. However, we think this possibility is minimal. In the case of the USSC guidelines, our experience in examining corporate ethics programs indicates that ethics policies and practices seldom, if ever, make specific reference to these requirements. Thus, we think it unlikely that the presence of particular ethics program practices would make managers more aware of the guidelines. The data on media attention to companies' ethical failings and on Conference Board attendance were drawn from years prior to our survey, so possibilities of reverse causality do not arise.

Could ethics program practices influence the content of top management conversation? We find no reason to think so in regard to financial and strategic conversation topics. But might a company's executives be talking about ethics because external pressure has led to creation of an ethics program? We think the possibility is slight. Specifically, our data show that external pressures only influenced easily decoupled ethics program practices. True, such practices may involve periodic formal communiqués from a company's CEO to all employees, but why should these communiqués generate an increase in the ethics content of everyday conversation among senior executives? Theoretically, the most reasonable explanation of the relationship between top management's ethics commitment and an organization's use of ethics-oriented performance appraisals is that the former leads to the latter. This explanation appears especially plausible in light of the fact that ethics-oriented performance appraisal shows no significant correlation to the tested external pressures (Table 2). Thus, although we grant that reverse causality is a possibility, we think it unlikely.

Our results are based on data obtained from relatively large U.S. companies. Thus, findings may not be generalizable to smaller companies or to other institutional environments. We also note limits on reliability for our measure of interrater agreement in coding newspaper abstracts (70% and 71%). This may be due to the sheer volume of abstracts to consider in a study such as this and their often brief or ambiguous content. Low reliability (.68) may also have reduced our ability to detect relationships involving management's commitment to financial, operational, and strategic concerns. Finally, we note that a larger sample may have shown more or stronger relationships, especially in the regression analysis for the impact of negative media attention on ethics program characteristics.

Implications

The study affirms the importance of distinguishing between easily decoupled and integrated forms of responsible corporate behavior. But it also affirms that a general type of responsible behavior (ethics programs) can embody elements of both and that those elements reflect different external and managerial influences. Researchers investigating the sources of social performance must be careful to delineate the role and limits of institutional pressures and managerial discretion.

Our study shows the importance of directing more attention to executives insofar as they are guided by a sense of positive duty (Swanson, 1995) toward ethical and socially responsible behavior. Results suggest that efforts to separate matters of ethics and social responsibility from conventional business thinking are not only problematic in theory (Freeman, 1995), but also may fail to do justice to the everyday thought and action of managers. Although much research attention has been directed toward showing that socially responsible corporate behavior can contribute to financial success, researchers may do a disservice to managers if they ignore the extent to which managers' decisions are also guided by intrinsic concern for ethics and social responsibility. At many of the companies in our study, executives did talk about ethical responsibilities as part of their everyday work ($\bar{x}$ = 3.61), and that focus in turn affected important organizational processes like the design of performance appraisal systems. This outlook is also supported by our bivariate correlational results, which show a significant, positive relationship between top management's commitment to ethics and its commitment to financial and strategic concerns ($r = .49$, $p < .01$; Table 2). Thus, researchers should pay more attention to the role of managers as moral actors on the corporate stage (Paine, 1996) and not assume that most responsible corporate behavior is *only* a matter of satisfying institutional pressures for legitimacy.

Some responses to expectations for socially responsible corporate behavior may be difficult to categorize clearly as integrated or decoupled. In the context of ethics programs, for example, punishment of violators—a practice encouraged by the USSC guidelines—is a case in point. Punishment for ethics violations can sometimes increase the salience of a company's ethics standards and satisfy employees' expectations for justice (Treviño, 1992). But punishment can also be carried out in a decoupled fashion; an employee may be treated as a scapegoat to be sacrificed to public demands that something be done to remedy a company's ethical failings. Punishment in the form of scapegoating may do little to make employees more concerned about ethics and might associate an ethics program with procedural or distributive injustices. To better assess the influences on, and the impact of, decoupled and integrated corporate responses to expectations for socially responsible behavior, future researchers should address the different ways in which integration and decoupling may occur. Doing this would afford an opportunity to link research on corporate social performance with areas of organizational inquiry that address the ways organizations respond to external expectations (for instance, institutional theory) and the ways observers make sense of organizational actions (for instance, research on "sensemaking" and on symbolic interaction).

For managers, the study indicates that they hold important, or even primary, responsibility for the integration of responsible corporate processes into organizations' everyday activities. Without a top management commitment to ethics, a company's ethics practices may be the kind that employees can easily ignore. This observation also suggests that concern for ethics or other forms of social performance cannot merely be delegated; executive commitment is essential. Thus, if executives are serious about corporate social performance, they may need to rethink their personal roles in the corporate social performance equation.

For policy makers, the role of the Conference Board (and similar organizations) is worth noting. New forms of socially responsible corporate behavior may face a legitimacy problem themselves until they are endorsed by high-profile, fashion-setting members of the business community. Government agencies and other institutions are advised to focus their energies on these high-profile organizations in their efforts to encourage responsible corporate behavior. They also clearly need to get the attention and commitment of executives if policy initiatives and public pressures are to generate organizationally integrated responses in the corporate world. This observation is in keeping with findings of other studies of corporate responses to expectations for social performance, such as Kossek, Dass, and DeMarr's (1994) research on work-family initiatives. When it comes to encouraging responsible corporate behavior, formal public policies may be limited in reach, and the role of executive commitment cannot be ignored. Policy makers, then, need to think more in terms of forming cooperative partnerships with the executives and other decision makers whose commitment will make a crucial difference to the ultimate integration of socially responsible ideals with routine organizational activities.

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