Is Formal Ethics Training Merely Cosmetic? A Study of Ethics Training and Ethical Organizational Culture

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ABSTRACT: U.S. Organizational Sentencing Guidelines provide firms with incentives to develop formal ethics programs to promote ethical organizational cultures and thereby decrease corporate offenses. Yet critics argue such programs are cosmetic. Here we studied bank employees before and after the introduction of formal ethics training—an important component of formal ethics programs—to examine the effects of training on ethical organizational culture. Two years after a single training session, we find sustained, positive effects on indicators of an ethical organizational culture (observed unethical behavior, intentions to behave ethically, perceptions of organizational efficacy in managing ethics, and the firm's normative structure). While espoused organizational values also rose in importance post-training, the boost dissipated after the second year which suggests perceptions of values are not driving sustained behavioral improvements. This finding conflicts with past theory which asserts that enduring behavioral improvements arise from the inculcation of organizational values. Implications for future research are discussed.

KEY WORDS: Formal ethics training, ethical organizational culture, values, ethical behavior, unethical behavior, U.S. Sentencing Guidelines

INTRODUCTION

THE UNITED STATES SENTENCING GUIDELINES for Organizations were introduced in 1991 to provide guidance to federal judges in crafting sanctions for a wide range of corporate crime cases (United States Sentencing Commission, 1991). Grounded in responsive regulatory theory, the U.S. Sentencing Guidelines provide organizations with distinct incentives to self-regulate by establishing effective ethics and compliance programs that promote an ethical organizational culture

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(Hess, McWhorter, & Fort, 2006; United States Sentencing Commission, 2004). The importance of promoting an ethical organizational culture and the corresponding need for ethics programs are reflected in not only these guidelines, but also in the number, frequency, and scale of corporate scandals in the 1990s and early 2000s (Hess et al., 2006; Laufer, 2008). Yet, these scandals raise questions about a firm's ability to change its culture through the adoption of formal ethics programs. Cynics assume such programs are used to reduce fines and stave off prosecution and doubt the ability of formal ethics programs to affect aspects of an organization's ethical culture (Laufer, 2008; Laufer & Robertson, 1997; McKendall, DeMarr, & Jones-Rikkers, 2002; Stansbury & Barry, 2007; Weaver, Treviño, & Cochran, 1999b).

Meanwhile, government prescriptions for organizational self-regulation have motivated widespread adoption of formal ethics and compliance training programs in organizations (Treviño, Weaver, & Brown, 2008; Treviño, Weaver, & Reynolds, 2006) even though little causal evidence exists on the influence of formal ethics training programs on ethical culture (Kish-Gephart, Harrison, & Treviño, 2010; Tenbrunsel & Smith-Crowe, 2008; Treviño et al., 2006). One reason for the lack of empirical research is that data on the ethical perceptions, decisions, and behaviors of managers and other employees are considered organizationally "sensitive" and therefore difficult to obtain once, let alone multiple times (Treviño et al., 2006). Most empirical studies on ethics programs link types of formal ethics programs (training as a component of a program) to other organizational outcomes using cross-sectional data (Kaptein, 2009, 2011b; McKendall et al., 2002; Smith-Crowe, Tenbrunsel, Chan-Serafin, Brief, Umphress, & Joseph, forthcoming; Treviño, Butterfield, & McCabe, 1998; Treviño & Weaver, 2001; Weaver & Treviño, 1999; Weaver, Treviño, & Cochran, 1999a, 1999c) or longitudinal panel studies that include different employees in each wave (Kaptein, 2010). These studies provide important insights into the possible positive effects of ethics programs but, at the same time, they offer only limited evidence of the direction of relationships. In cross-sectional studies, for instance, it is possible that those organizations with ethically-oriented attitudes and behaviors adopt more elaborate ethics programs, such that ethics programs may not be the cause, but the outcome, of more ethical attitudes and behaviors. Further muddying our understanding of relationships, empirical evidence suggests training has negative effects or no effect on ethical outcomes (Kaptein, 2011b; McKendall et al., 2002; O'Fallon & Butterfield, 2005; Sparks & Hunt, 1998). For instance, Kaptein's (2011b) recent cross-sectional study of working adults suggests that the more frequently organizations engage in formal communication regarding the corporate codes of conduct, the more unethical behavior is exhibited in organizations.

Motivated by an increasing number of regulatory incentives and conflicting findings in scholarly research, we take an important step in advancing research by examining the effects of comprehensive ethics training, a form of training based upon regulatory prescriptions, on attributes of an ethical organizational culture. More specifically, we ask: When firms develop formal ethics training programs consistent with scholarly and governmental prescriptions, will the ethics training influence attributes of an organizational ethical culture over time? Here we make progress in testing the validity of claims that training is cosmetic, a criticism that

conflicts with the main tenets of responsive regulatory theory, as well as theory on the effects of formal ethics programs. Furthermore, by adding a temporal component and examining attributes of organizational ethical culture separately, we are able to advance not only our understanding of causal relationships, but also the longevity of the differential effects of training on multiple components of organizational ethical culture.

To begin, we review the regulatory impetus promoting formal ethics programs and formal ethics training. From the regulatory and scholarly prescriptions, we present a comprehensive approach to ethics training, which theory suggests is most likely to influence organizational ethical culture. After introducing the concept of comprehensive ethics training, we rely on social cognitive theories to develop hypotheses regarding comprehensive ethics training and specific indicators of ethical culture (e.g., behaviors, values, and beliefs). We follow with an empirical study that measures these indicators before and after training takes place in an organization. To understand the longevity of training, the indicators of an ethical organizational culture are studied initially after training (nine months after training) and at a later point (2.5 years after training). Finally, we conclude with a discussion on the implications of our research for extant theory and future research.

THEORETICAL BACKGROUND AND HYPOTHESES

Formal Ethics Programs

The U.S. Sentencing Guidelines and subsequent government prescriptions share a singular objective: to offer incentives and disincentives to ensure effective organizational self-regulation of ethical conduct. This conceptual background of the Sentencing Guidelines is itself supported by the well-accepted theory of responsive regulation (Ayres & Braithwaite, 1992; Baldwin & Black, 2010). According to this theory, self-regulation is seen as optimal and only should be replaced or supplemented by additional layers of formal controls when there is evidence of firm failures. The lynchpin of the responsive regulation approach taken by the U.S. Sentencing Commission is that effective firm self-regulation will be accomplished through formal ethics programs.

Though these programs may vary in orientation across organizations, most programs include such components as formal codes of ethics and business conduct, ethics committees, ethics officers, and ethics training programs (for a discussion, see Weaver et al., 1999b). The cornerstone of the more recent, amended U.S. Sentencing Guidelines is the requirement of ethics training for employees of all levels in the organization (Hess et al., 2006). Formal training programs provide a platform for organizations to communicate the standards and procedures of the organization, as well as other important aspects of the ethics and compliance programs.

The organizational outcome promoted by the prescriptions of the U.S. Sentencing Commission is that of a firm culture that is expected to encourage ethical and discourage unethical behavior. The kind and character of due diligence expected by organizations, however, was left largely open. For this reason, "Organizations are now scurrying to figure out what 'culture' means" (Treviño et al., 2006: 979).

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In organizational research, culture is reflected in the shared beliefs, values, and behavior of the organization's members (Schein, 1990, 1996). Consistent with this perspective, we expect to find indications of an ethical culture in both the organizational members' unethical and ethical behaviors, as well as their beliefs about the organization and its values.

Comprehensive Ethics Training

The U.S. Sentencing Guidelines do not define the precise content for ethics programs and training. They do, however, make recommendations that reasonably correspond to certain components of ethics training programs. For example, the U.S. Sentencing Guidelines suggest a dual focus on "compliance and ethics" and encourage the use of ethics training (United States Sentencing Commission, 2004). As Hess and colleagues (2006: 740) note, the intent of the U.S. Sentencing Commission is to push firms to abide by the "spirit of the law" and, thus, aim higher than the lowest possible standards of compliance or the "letter of the law."

While the U.S. Sentencing Guidelines push for formal ethics programs that emphasize ethics and compliance and that utilize channels of communication, left open for interpretation are the specific characteristics of the formal training program and attributes of an ethical organizational culture. In order to make progress in examining these prescriptions, a conceptualization of these ideals is needed. Drawing on the academic research on learning and ethics, we review the leading thought on the orientation of formal ethics programs and means for communicating ethics, and we integrate this research to develop the concept of *comprehensive ethics training*. This concept is meant to address governmental prescriptions by applying insights from scholarly research to develop an understanding of what is thought to be the most effective means of promoting an ethical organizational culture. We begin by reviewing the social psychological processes underpinning the use of formal ethics training.

Social Psychological Foundation

Much of the theory on comprehensive ethics training, moral awareness, and ethical behavior is grounded in social cognitive theories (O'Fallon & Butterfield, 2005; Treviño et al., 2006). These theories include Fiske and Taylor's (2008) social cognition theory, which focuses on the cognitive antecedents of ethical behavior related to identifying an ethical dilemma, and Bandura's (1977) social learning theory, which focuses on the cognitive and motivational factors that explain an employee's decision to exhibit ethical or unethical behavior. It is through these social cognitive perspectives that we present theory on the role of comprehensive ethics training in promoting an ethical organizational culture.

First and foremost, formal ethics training is meant to raise awareness, a critical component of ethical decision making in organizations (Jones, 1991; Rest, 1986). The work of Fiske and Taylor (2008) suggests that moral awareness is a function of the vividness and salience of moral issues, as well as the cognitive accessibility of moral concepts (Jones, 1991; Reynolds, 2006). Research demonstrates that the accessibility of moral concepts is influenced by not only individual differences (Reynolds, 2008), but also organizational factors (Butterfield, Treviño, & Weaver,

2000). Similar to priming methods, which raise the accessibility of primed concepts (Fiske & Taylor, 2008), comprehensive ethics training may increase the accessibility of morals and moral concepts. Because individuals attend more to stimuli associated with accessible concepts than inaccessible concepts (Fiske & Taylor, 2008; Reynolds, 2008), comprehensive ethics training may increase individuals' awareness of moral issues and, therefore, decrease their unethical behavior (Jones, 1991; Rest, 1986).

A related perspective complements Fiske and Taylor (2008) and focuses on the motivational dimensions of comprehensive ethics training. More specifically, Bandura's (1977) social learning perspective focuses on the importance of models of appropriate behavior and reinforcements—direct and vicarious—in understanding and predicting ethical and unethical behavior (Treviño & Youngblood, 1990). According to Bandura's theory (1977), ethics training should entail relevant models of desired behavior and reinforcements to encourage these behaviors. Vicarious learning through models, such as those described in ethics training sessions, influence employees' behaviors by defining their outcome expectancies (Bandura, 1977). A critical component of this theory is not only employees' attention to, but also their retention of, the behavior of the models.

Taken together, social psychological theories indicate that formal ethics training (as a form of social learning) should help employees identify moral dilemmas, offer appropriate models of ethical behavior, and emphasize reinforcements to promote the modeled behavior. With these theories in mind, we describe the latest research and best practices associated with raising moral awareness, providing ethical role models, communicating reinforcements, and promoting retention. This will serve as the basis for our description of comprehensive ethics training (for an in-depth discussion of variations in ethics training, see Sekerka, 2009).

Content

Most studies related to the content of formal ethics programs make a distinction between values-oriented programs (also referred to as "ethics-oriented") and compliance-oriented programs (Treviño, Weaver, Gibson, & Toffler, 1999). In this literature, values-oriented programs are those that focus on the importance of values in the resolution of ethical dilemmas, and compliance-oriented programs are those that focus on the importance of rules and laws in the resolution of such dilemmas (Treviño et al., 1999). Importantly, it is generally accepted that values-oriented programs are more effective than compliance-oriented programs in promoting ethical behavior. As Paine (1996: 480) explains, value-oriented programs focus on the adoption of "a substantive framework of general principles or values against which choices can be evaluated." By orienting employees towards specific values, such as integrity or honesty in formal ethics training, employees respond to ethical dilemmas by choosing behaviors that would align with those ideals rather than simply choosing those behaviors that would be minimally required by law. In this view, aiming for more aspirational models of behavior is thought to be a better means to guiding employee behavior and instituting an ethical organizational culture (Paine, 1996).

However, compliance-oriented programs also offer important benefits (Weaver & Treviño, 1999). For example, Weaver and Treviño (1999) found that compliance-

based programs predict many of the same outcomes as value-based programs, as well as interact to predict a particularly important attribute of an ethical culture: willingness to report unethical behavior to management. Furthermore, compliance programs focus on not only rules, but also reinforcements for non-compliance (Weaver & Treviño, 1999), and social learning theory suggests that realizing what punishments or rewards follow from specific behaviors is an important aspect of learning (Bandura, 1977). Compliance-oriented programs, which usually entail a review of previous legal action and sanctions, may not only deter non-compliance from employees, but also encourage employees to report non-compliance because they become aware of potential outcomes associated with such cases.

For these and related reasons, most firms rely on both orientations for their formal ethics programs (Weaver & Treviño, 1999; Weaver et al., 1999b). Given the promotion of a dual-emphasis on ethics and compliance in the scholarly literature and federal regulation, we include both of these dimensions in our description of a "comprehensive" approach to ethics training.

Communication Medium and Characteristics

In addition to offering appropriate models and reinforcements, formal ethics training needs to address the learners' attention towards, and retention of, the communicated content (Bandura, 1977). Here we highlight two aspects of training thought to affect the learners' attention towards and retention of content: face-to-face communication and experiential learning methods.

In-person training is thought to be more effective because it is widely considered a more influential means of communicating than other mediums such as computer-mediated training. In a stream of social psychological research, face-to-face interactions are linked to interpersonal coordination and mutual positivity (Drolet & Morris, 2000), as well as cognitive and affective interpersonal trust (Rockmann & Northcraft, 2008). As McGinn and Croson (2004: 338) note, "the communication medium in which social interaction takes place affects not just the mechanical aspects of communication, but also the social aspects." In addition, the training literature more generally promotes the importance of face-to-face instruction in organizational contexts (for recent review, see Arthur, Bennett, Edens, & Bell, 2003). Thus, in the scholarly literature, face-to-face communication and discussion is regarded as particularly effective for purposes of communicating ethics content (Sekerka, 2009).

One reason why face-to-face training is preferred is that it facilitates interpersonal interaction; for this reason, the size of the training group matters as well. In face-to-face training of small groups, individuals are able to utilize experiential training approaches such as "role plays, simulations, film, skill practice, and field experiences" (Harrison, 1992: 952). Indeed, Ferrell, LeClair, and Ferrell (1998: 360) note that, "Most effective training sessions, although brief (two to four hours) focus on employee involvement and developing an interactive environment in which to discuss the issues."

Face-to-face training in small groups is thought to be particularly effective, as these sessions "provide opportunities for trainees to engage in specific behaviors, review the behaviors critically, abstract some useful insight from the analysis, and apply the

results in a practical situation" (Harrison, 1992: 952). Further, these sessions provide opportunities for more interaction with "live models," which Bandura conceptualizes as individuals demonstrating the desired behavior (Bandura & Mischel, 1965). Empirical research suggests "live models" are more effective for social learning than simple verbal descriptions of appropriate behavior (e.g., Bandura, Blanchard, & Ritter, 1969; Bandura & Mischel, 1965; Wolf & Cheyne, 1972). These interpersonal, multi-hour sessions are also fundamental to perceptions that the program is more than mere window-dressing or cosmetic (Laufer, 1999; Laufer & Robertson, 1997; McCabe, Treviño, & Butterfield, 1996).

Taken together, prior research suggests that ethics training that includes values and compliance content (as opposed to one or the other) and is delivered through face-to-face interaction (as opposed to computer-mediated) with experiential learning methods will be particularly effective in promoting an ethical organizational culture. In the remainder of this paper, we will refer to ethics training programs with these characteristics as *comprehensive ethics training programs*. With this conceptualization developed, we focus on the theoretical relationship between comprehensive ethics training and indicators of organizational ethical culture.

Ethics Training and an Ethical Organizational Culture

Rigorous endeavors have been made to capture a global assessment of organizational ethical culture (e.g., Kaptein, 2009, 2010; Treviño et al., 1998) and organizational ethical climate (e.g., Victor & Cullen, 1988), a more transient aspect of culture. Global assessments of ethical culture and climate are valuable for cross-sectional research of organizations because they allow comparisons of culture and climate across organizations. These approaches, however, collapse aspects of climate and culture into an overall assessment and, therefore, hinder the development of specific linkages between the organizational context and dimensions of culture or climate such as specific values and behaviors. For this reason, some have questioned the usefulness of these broad assessments of ethical work climates in predicting specific behaviors (Treviño et al., 1998) and capturing important attributes of ethical culture (Key, 1999). Here, we consider the relationships between comprehensive ethics training and specific employee outcomes that comprise culture: behaviors, perceptions, and values (Schein, 1990, 1996). That is, rather than linking comprehensive ethics training to a global categorization of the firm's culture, we develop specific theory on comprehensive ethics training and components of the culture, a focus that provides insight into the effects, if any, of training on specific attributes of ethical cultures.

Ethics Training and Behavioral Outcomes

Comprehensive ethics training may decrease unethical behavior by raising awareness of moral issues and by providing models of normatively appropriate responses to ethical dilemmas as well as information on rules and laws. Providing models of appropriate behavior and information about industry rules, regulations, and laws is especially important to improving moral judgment, as research on cognitive moral

development indicates that most adults reason at the conventional stage of development which means they rely on social conventions (social norms, rules, laws) when determining what is morally right (Kohlberg, 1981; Treviño et al., 2006). Comprehensive ethics training that provides models of ethical behavior by senior organizational members and compliance-oriented information regarding organizational rules and laws, therefore, will appropriately address employees who reason at the conventional level of moral development. For those who reason at lower levels of cognitive moral development and focus on potential consequences when considering appropriate behavior, ethics training further reinforces avoidance of unethical behavior by exposing employees to vicarious rewards and punishments (Ashkanasy, Windsor, & Treviño, 2006; Treviño & Youngblood, 1990). For instance, training often involves discussions of past violations, organizational outcomes, and descriptions of role models via the use of real and hypothetical ethical dilemmas (Gioia, 1992).

Thus, past research suggests that comprehensive ethics training will likely decrease unethical behavior by providing models of normatively appropriate behavior and reinforcing normatively appropriate responses to moral issues (Treviño et al., 2006; Treviño & Weaver, 2003; Weaver & Treviño, 1999).

Hypothesis 1: Levels of observed unethical behavior will be initially lower after comprehensive ethics training than before comprehensive ethics training.

Most comprehensive ethics training programs emphasize not only the prevention of unethical behavior (Hypothesis 1), but also the promotion of ethical behavior, which has been construed as behavior that exceeds some moral minimum (Treviño et al., 2006). Although ethical behavior in organizations may take many forms, most scholars argue that the reporting of unethical behavior (i.e., "whistle-blowing") is among the most important of ethical behaviors to organizations and societies (Dozier & Miceli, 1985; Kaptein, 2011a; Near & Miceli, 1995; Warren, 2003). Further, most scholars suggest that the reporting of unethical behavior is among the most desirable outcomes of comprehensive ethics training (Weaver & Treviño, 1999), as organizational members' willingness to report unethical behavior suggests that organizational members are aware that the behavior is unethical and believe that management will respond appropriately. Therefore, we are specifically focused on reporting unethical behaviors as a form of ethical behavior and as an attribute of an ethical organizational culture.

Comprehensive ethics training can influence employees' ethical behavior in several ways. First, such training enables employees to differentiate between ethical and unethical behavior by defining normatively appropriate responses to ethical issues (Weaver & Treviño, 1999). Indeed, classifying behavior as unethical is a necessary requisite to reporting such behavior. Second, comprehensive ethics training may encourage the integration of ethical behavior (such as the reporting of unethical behavior) into employees' models of role identities, such that employees perceive such behavior as an integral part of their organizational roles (Weaver & Treviño, 1999). A central precept of social learning theory is that individuals learn vicariously by attending to the behavior of a model; this model may appear in a hypothetical or real ethical dilemma presented to employees during a comprehen-

sive ethics training session. The outcomes experienced by this model vicariously shape individuals' outcome expectancies and therefore define roles (e.g., "I have to report it—it's part of my job.") for organizational members (Ashforth & Mael, 1989; Warren & Smith-Crowe, 2008; Weaver & Treviño, 1999). As developed in past research, ascribing the reporting of unethical behavior into employees' role identities may increase the likelihood that employees indeed report such behavior (Miceli & Near, 2002; Treviño & Victor, 1992; Vadera, Aguilera, & Caza, 2009; Victor, Treviño, & Shapiro, 1993). Notable whistle blowers, such as Cynthia Cooper (WorldCom), Sherron Watkins (Enron), and Coleen Rowley (FBI), never reported feeling like heroes because they perceived that blowing the whistle was simply a part of their job (Near, Rehg, Scotter, & Miceli, 2004).

Comprehensive ethics training also raises awareness of reporting procedures, as the clear explication of the process by which employees should report unethical behavior is a fundamental component of such training (Treviño & Weaver, 2003). Not surprisingly, research suggests that an understanding of reporting procedures increases the likelihood of whistle-blowing. Miceli and Near (1984), for example, found that awareness of reporting channels was an important distinction between those federal employees who chose to report wrongdoing and those employees who did not. In complementary research on employee voice, Morrison and Milliken (2000: 713) highlight the existence of communication channels in preventing organizational silence and note "the lack of formal upward feedback mechanisms" in their presentation of theory on the structural features that will inhibit the sharing of threatening information.

Thus, comprehensive ethics training defines unethical behavior, incorporates ethical behavior into employees' models of role identities and explicates the process of reporting unethical behavior. We expect this kind of training to be associated with increased ethical behavior and, specifically, the willingness to report unethical behavior in organizations.

Hypothesis 2a: Employees will initially intend to engage in more ethical behavior (i.e., report wrongdoing) after comprehensive ethics training than before comprehensive ethics training.

Hypothesis 2b: More employees will initially intend to engage in ethical behavior (i.e., report wrongdoing) after comprehensive ethics training than before comprehensive ethics training.

Ethics Training and Organizational Efficacy

A willingness to behave ethically is most often associated with an expectation that the organization will appropriately respond. Treviño and Weaver (2001) introduced the concept of "ethics program follow-through" to capture employees' perceptions of the reasonableness of an organization's response to ethical lapses. Past research has shown that a positive perception of organizational efficacy in addressing ethical behavior is associated with such desirable organizational outcomes as future ethical behavior and willingness to report unethical behavior (Treviño & Weaver, 2001).

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Although past research has explored the consequences of employees' perceptions of organizational efficacy, such research has overlooked the antecedents of these perceptions; that is, the factors that influence employees' perceptions of organizational efficacy. We propose that comprehensive ethics training is one such factor.

Comprehensive ethics training can influence employees' perceptions of organizational efficacy in managing ethical violations in at least two ways. Most importantly, this kind of training provides organizations with an opportunity to describe not only the process by which employees can report observed unethical behaviors (see Hypotheses 2a and 2b), but also the process by which the organization can subsequently attend to and resolve these reports (Treviño & Weaver, 2003). This is typically done by describing previous cases handled by the organization; these cases will influence the employee's knowledge of misconduct and organizational action in the past and shape their expectations for the future. In this perspective, comprehensive ethics training clarifies employees' expectations. As past management research has shown, the delineation of expectations by organizations is positively associated with employees' perceptions of decision making effectiveness (Tsui, Ashford, Clair, & Xin, 1995).

Comprehensive ethics training may also influence employees' perceptions of organizational efficacy in managing ethical violations by creating a psychological contract between the organization and its employees (e.g., "You report it, we'll deal with it"; Morrison & Robinson, 1997; Nicholson & Johns, 1985; Robinson, Kraatz, & Rousseau, 1994). Supported by research on social exchange theory (Blau, 1964), this contract creates a reciprocal obligation between employees (to report unethical behavior) and the organization (to follow-through on the report; for discussions, see Rousseau & Parks, 1993; Weaver & Treviño, 1999). As the contract is subsequently fulfilled by the organization, support for the process on the part of employees will strengthen (Weaver & Treviño, 1999). Taken together, therefore, extant theory and research suggest that comprehensive ethics training will strengthen employees' perceptions of organizational efficacy in managing ethical matters.

> *Hypothesis 3: Employees' perceptions of organizational efficacy in managing ethical violations will initially be more favorable after comprehensive ethics training than before comprehensive ethics training.*

Ethics Training and Normative Structure

Ethical culture has been conceptualized as the multidimensional interplay between an organization's formal and informal systems that promote ethical or unethical behavior (Smith-Crowe et al., forthcoming; Tenbrunsel, Smith-Crowe, & Umphress, 2003; Treviño, 1990; Treviño et al., 1998). In a seminal paper, Treviño (1986) argues that a strong culture has a correspondingly strong normative structure that leads to more agreement among organizational members about what is and is not appropriate behavior (see Treviño, 1986: Proposition 11). Although past research explores the effects of informal and formal components of ethical cultures on (un) ethical behavior (Smith-Crowe et al., forthcoming; Tenbrunsel et al., 2003; Treviño, 1990; Treviño et al., 1998), there remains a need to examine the effects of the more formal components of culture on the more informal components of culture. That is,

we still know little about what Treviño (1990) describes as the interplay between the formal and informal components of ethical cultures.

As noted earlier, formal ethics programs involving comprehensive ethics training may contribute significantly to the ethical culture of an organization. Thus, we expect comprehensive ethics training to influence an important, informal component of an organization's informal ethics culture: the organization's normative structure. Following prior research, we define an organization's normative structure as the norms about what is ethical and unethical behavior (Treviño et al., 1998).

Comprehensive ethics training may shape an organization's normative structure by defining values (the value-based dimension of ethics training) and rules (the compliance-based dimension) that reflect the aspirations and expectations of the organization (Weaver et al., 1999b). As Weaver and Treviño (1999: 319) note, "Widespread attention to shared values . . . helps create expectations or norms for appropriate behavior within an organization." Comprehensive ethics training may further reinforce such values and rules by detailing real or hypothetical dilemmas that expose employees to vicarious rewards and punishments (Ashkanasy et al., 2006; Treviño & Youngblood, 1990).

Our arguments suggest that ethics training (a formal component of an organization's ethical culture) will influence an organization's normative structure (an informal component of an organization's ethical culture), such that comprehensive ethics training will promote agreement among organizational members in the identification and perceptions of unethical behavior and, therefore, strengthen the normative structure underlying the organization's culture (Treviño, 1986).

> *Hypothesis 4: The normative structure of the organization will initially demonstrate more convergence in perceptions of unethical behavior after comprehensive ethics training than before comprehensive ethics training.*

Ethics Training and Organizational Values

Organizational values are a central feature of ethical cultures of an organization, and comprehensive ethics training may influence perceptions of these values in at least two ways. First, comprehensive ethics training provides an opportunity for organizations to formally introduce employees to the values of the organization; this exposure, research suggests, is likely to strengthen employees' perceptions of these values. Indeed, research on automatic social cognitive theory (Greenwald & Banaji, 1995) suggests that mere exposure to an organization's values may lead to the adoption of implicit associations between the organization and these values (Reynolds, 2006). Related laboratory research demonstrates that implicit associations are not only adopted by organizational members, but also influence the perceptions and behaviors of these members (Reynolds, Leavitt, & DeCelles, 2010).

Second, comprehensive ethics training provides employees with an opportunity to vicariously observe the values of the organization (Ashkanasy et al., 2006; Treviño & Youngblood, 1990). For instance, employees should be more likely to perceive that an organization possesses a value of discretion if exposed to policies regarding reporting procedures and information about the handling of previous cases. In

their study of environmentalism and hotels, for example, Goldstein, Cialdini, and Griskevicius (2008) found that statements that described the hotel-inspired conservationism efforts of other guests increased the level of conservationism exhibited by study participants. This study demonstrated that merely describing the behavior of others strengthened participants' perceptions of the hotel's values and increased their subsequent compliance. These findings, as well the research on automatic social cognition, suggest that exposure to organizational values will, directly and indirectly, positively influence employees' perceptions of these values.

Hypothesis 5a: Employees will initially perceive firm values as more important to their coworkers after comprehensive ethics training than before comprehensive ethics training.

Hypothesis 5b: Employees will initially perceive firm values as more important to their supervisor after comprehensive ethics training than before comprehensive ethics training.

Hypothesis 5c: Employees will initially perceive firm values as more important to senior managers after comprehensive ethics training than before comprehensive ethics training.

Training Effects over Time

Prior research has overlooked the longitudinal effects of formal ethics training, and theory in the behavioral sciences on these effects is contradictory, suggesting that formal ethics training will influence the organization in two possible ways. One theoretical perspective is consistent with research on training and indicates that the effects of training will dissipate over the long-term (Richards, 1999; Weber, 1990). A second theoretical perspective, however, is grounded in Bandura's reciprocal determinism (1977, 1978) and indicates that changes associated with training will become self-reinforcing and the effects should strengthen. We present theory related to both and derive competing hypotheses.

Conventional wisdom and general training research suggest a need to retrain employees periodically because the effects are expected to dissipate over time (Richards, 1999; Weber, 1990). Furthermore, recent research documents individuals' pervasive tendencies to rationalize their unethical behavior (Detert, Treviño, & Sweitzer, 2008; Shu, Gino, & Bazerman, 2011) and "strategically forget" moral rules and principles (Shu et al., 2011; Shu & Gino, 2012). This experimental evidence, coupled with the persistence of corporate scandals, has led many to question the long-term effectiveness of formal ethics programs (Bazerman & Tenbrunsel, 2011; Tenbrunsel, Diekmann, Wade-Benzoni, & Bazerman, 2010). For instance, Tenbrunsel and colleagues note that the self-deceptive psychological process of organizational members "substantially negates any systematic efforts at the organization level" (Tenbrunsel et al., 2010: 169).

In contrast, Bandura's (1977, 1978) conceptualization of reciprocal determinism as a foundational component of social learning supports the long-term effects of comprehensive ethics training. Reciprocal determinism is a process whereby

"behavior, interpersonal factors, and environmental influences all operate as interlocking determinants of each other" (Bandura, 1978: 346). The complex, interactive natures of these determinants are fundamental. As Bandura (1977: 198) explains, "Studies of dyadic exchanges document how the behavior of one member activates particular responses from the repertoire of the other member which, in turn, prompt reciprocal counteractions." While reciprocal determinism has not been studied in the context of ethics training, empirical studies in organizational behavior offer insight into the process of reciprocal determinism in firms. We expect the introduction of comprehensive ethics training to influence the behavior of employees towards organizationally desired behaviors, such that once employee behavior is initially influenced, the behavior becomes self-perpetuating.

Supportive organizational research suggests that employees align with the behavior of in-group members, such that the behavior of in-group members is contagious and mirroring (Gino, Ayal, & Ariely, 2009; Gino, Gu, & Zhong, 2009). This effect may be explained by the salience of moral norms, shifts in the underlying normative structure of the organization that define appropriate and inappropriate responses to ethical dilemmas, or employees' observations of the rewards and punishments experienced by what Bandura (1977) refers to as "live models" (that is, other organizational members).

Other research indicates that as organizations "follow-through" on their ethical commitments (i.e., in post-training periods) and take "action to deal with ethical issues employees raise and violations of the company's formal ethics policies," employees engage in more ethical and less unethical behavior (Treviño & Weaver, 2001: 651). Collectively, a wide range of theory-driven research supports this perspective of reciprocal determinism whereby the effects of comprehensive ethics training on unethical behavior (see Hypothesis 1), ethical behavior (see Hypotheses 2a and 2b), and the normative structure of the organization (Hypothesis 4) will reinforce each other and persist with the passage of time.

For similar reasons, the effects of comprehensive ethics training should further hold for organizational efficacy and values. As organizations fulfill their psychological contractual obligations, they will develop employees' trust—trust that is theoretically and empirically associated with support for the organization (Dirks & Ferrin, 2001; Robinson, 1996). Further, as organizations follow-through on their commitments to ethics, employees' outcome expectancies, perceptions of procedural and distributive justice, and perceptions of values are reinforced (Treviño & Ball, 1992; Treviño & Weaver, 2001). Collectively, the reinforcement of outcome expectancies, the positive experience of justice and trust, and the confirmation of perceptions of values are expected to confirm employees' earlier perceptions of organizational efficacy and values.

Hypothesis 6a: Indicators of an ethical organizational culture will shift towards ethics training content over time.

Hypothesis 6b: Indicators of an ethical organizational culture will shift away from ethics training content over time.

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METHODS

Study Setting

Motivated by the increasing regulatory incentives to adopt formal ethics programs, a large, multinational bank headquartered in the U.S. instituted its first formal ethics training initiative. We were granted access to the employees of the bank both before (Time 1) and after (Time 2: nine months later; Time 3: two-and-a-half years later) the organization adopted a comprehensive ethics training program. The program, developed with the involvement of the first author, included small, four-hour sessions conducted face-to-face and delivered in the local language by one of two consultants who worked alongside management.

Ethics training sessions were the same for all employees. Each session began with a focus on the bank's values and principles. The sessions then continued with case analyses of several ethical dilemmas. In these discussions, employees were encouraged to identify unethical behavior in the dilemmas, to consider ways that the behavior could be avoided or prevented, to exercise their voice in reporting wrongdoing, and to discuss appropriate responses by the bank. Sessions concluded with an emphasis on the bank's rules, policies, and procedures, as well as a discussion of previous ethical lapses and the bank's responses.

The bank had not previously developed and administered ethics and compliance training to its employees. Further, the Code of Conduct that included the bank's Guiding Principles and Values was distributed prior to the ethics training. The only ethics initiative during the period of this study was that of ethics training; the bank did not repeat the training during the time period of our study.

Participants: Time 1 and Time 2

The data used to test the first set of hypotheses (Hypotheses 1–5c) were collected from employees of the bank immediately before (Time 1) and nine months after (Time 2) the introduction of the comprehensive ethics training. The organization distributed an online survey to all 2,204 employees. The response rates for the Time 1 and Time 2 surveys were 47% (1,031 of 2,204 employees) and 69% (1,518 of 2,204), respectively. Three hundred and ninety-two employees (57% between the ages of 40 and 55[1]; 56% male; 18% of the organization) responded to both surveys and thus serve as our primary, matched data set. For robustness, we also tested our hypotheses on an unmatched data set that includes those who responded to the Time 1 or the Time 2 survey (but not both). Through our unmatched and matched samples for Times 1 and 2, we capture no less than 47% of the organization.[2]

Participants: Time 3

We returned to the multinational bank two-and-a-half years after the organization adopted a comprehensive ethics training program and administered the same survey used for the first two surveys. In this final data collection effort, the organization again distributed the online surveys to all employees. The response rate for the Time 3 survey was about 52%. Five hundred and thirty-four employees (60% between the

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ages of 40 and 55[3]; 51% male, 24% of the organization) responded to both (Time 2 and Time 3) surveys and thus served as our primary, matched data set to test the extended hypotheses. For robustness, we again test our hypotheses on an unmatched data set that includes those who responded to the Time 2 or the Time 3 survey (but not both). Through our unmatched and matched samples for Times 2 and 3, we capture no less than 52% of the organization.

Dependent Variables

Unethical Behavior

We captured observed unethical behavior with an eight-item scale adapted from Weaver and Treviño (1999). The scale asked employees to indicate the frequency (1 = "have never seen" to 6 = "more than monthly") with which they observed eight unethical behaviors. Sample items include, "How often have you seen an employee sharing confidential information?" and "How often have you seen an employee claiming unjustified expenses?" Following Weaver and Treviño (1999) and Treviño et al. (1998), we measured observed behavior, rather than self-reported behavior, to minimize concerns about social desirability bias. As Treviño and colleagues (1998: 456) note, "respondents are more likely to report that they observed others' unethical behavior than that they were unethical."

Ethical Behavior

We captured ethical behavior through a measure of willingness to report unethical behavior using the same eight items from the observed unethical behavior scale above (adapted from Treviño et al., 1998, and Weaver & Treviño, 1999). The scale asked employees to indicate whether or not (dichotomous: "yes" or "no") they would report each of the eight unethical behaviors to the Bank's Ethics Committee or Chief Ethics Officer. This measure provides a particularly conservative test of employees' willingness to report unethical behavior, as many employees may be hesitant to report observed unethical behavior directly to the Ethics Committee or Chief Ethics Officer.

Perception of Organizational Efficacy

We adopted a more comprehensive construct than that used in prior research to capture perceptions of organizational efficacy in managing ethical violations (cf. Treviño & Weaver, 2001). In contrast to past measures, which focus broadly on "follow-through" and "discipline," our seven-item measure captured more specific characteristics of these components, as well as other characteristics that reflect policies developed by the organization in the ethics training sessions (see Treviño & Weaver, 2001). The scale items include "Cases of misconduct are managed in a timely manner"; "Senior management does not influence the decisions of misconduct cases"; "Identities are protected in cases of misconduct"; "All information is kept confidential in cases of misconduct"; "All employees are treated as equals in the judgment of misconduct cases"; "Cases of ethics are handled in a fair manner"; and "Cases of ethics are effectively handled." All items were assessed on a six-point Likert-style scale (1 = "Strongly Disagree" to 6 = "Strongly Agree"). The scale also

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included a "Don't Know" option, which allowed us to exclude those employees who were unfamiliar with the handling of ethics cases and thus to maintain the validity of the construct. The scale demonstrated very high reliability across all time periods (α = .90 to .91 for Time 1 and 2 Matched Data; α = .89 to .91 for Time 1 and 2 Unmatched Data; α = .92 for Time 2 and 3 Matched Data; α = .90 to .92 for Time 2 and 3 Unmatched Data).

Normative Structure

We captured the organization's normative structure, conceptualized by Treviño (1986) as *agreement* among organizational members in the identification of unethical behavior, in a manner that is consistent with prior research on the measurement of agreement in organizational research (for discussion of this measure, see Schneider, Salvaggio, & Subirats, 2002). As such, normative structure was measured as the standard deviation of employees' responses to the unethical behavior construct (Schneider et al., 2002).

Perceived Values: Coworkers, Supervisors, and Senior Managers

Six items assessed employees' perceptions of the importance (Likert-scale; 1 = "Extremely Unimportant" to 7 = "Extremely Important") of moral values to three segments of the organization: coworkers, supervisors, and senior managers. The six values (*integrity*, *loyalty*, *equity*, *tolerance*, *impartiality*, and *discretion*) not only reflect the organization's specific values, but also align with the fundamental moral values of corporate cultures (for discussion, see Jones, Felps, & Bigley, 2007). Subscales (simple averages of the items) were created for each of three segments (coworkers, supervisors, and senior managers). All subscales demonstrated very high reliability (α = .91 to .95 for Time 1 and 2 Matched Data; α = .92 to .96 for Time 1 and 2 Unmatched Data; α = .91 to .94 for Time 2 and 3 Matched Data; α = .92 to .94 for Time 2 and 3 Unmatched Data).

RESULTS

Preliminary Analyses

We performed exploratory and confirmatory factor analyses (EFA and CFA, respectively) on the items for the four latent constructs in the study. The four constructs are perceptions of coworker values, perceptions of supervisor values, perceptions of senior manager values, and perceptions of organizational efficacy. First, we performed an EFA. The analysis indicated that the measured items loaded on four factors and that none of the measured items loaded on more than one factor. That is, the items for perceptions of coworker values loaded on one factor, the items for perceptions of supervisor manager values loaded on a second factor, the items for perceptions of senior manager values loaded on third factor, and the items for perceptions of organizational efficacy loaded on a fourth factor. The EFA, therefore, revealed a factor structure consistent with the proposed four-factor model.

Second, we performed a CFA. The purpose of the CFA was to determine whether the data fit the theoretical, four-factor structure. In this analysis, we focused on

the most common indices of fit in management and ethics research. These indices include the normed chi-squared (χ^2/df), the comparative fit index (CFI), and the standardized root mean square residual (SRMSR). The fit of the data to the proposed model is typically described as acceptable if the χ^2/df ratio falls below 5 (Wheaton, Muthen, Alwin, & Summers, 1977) or 3 (Carmines & McIver, 1981), the CFI is approximately 0.9 (Jaccard & Wan, 1996), and the SRMSR does not exceed .08 (Hu & Bentler, 1999).

The results of the CFA were consistent with the results of the EFA and indicated that the four-factor model fit the data. Indeed, the χ^2/df ratio was less than 3.0 or 5.0 in all time periods, the CFI was between 0.86 and 0.91 in all time periods, and the SRMSR was less than or equal to 0.08 in all time periods for the matched and unmatched data. (Table 1 includes the results of the CFA for the matched and unmatched data.) The CFA, therefore, provided strong support for the validity of the four-factor model.

Table 1:[4] Results of Confirmatory Factor Analyses for the Four Latent Constructs: Perceptions of Coworker, Supervisor, and Senior Manager Values, and Perceptions of Organizational Efficacy

Time Period		χ^2	Degrees of freedom (df)	Normed χ^2 (χ^2/df)	Comparative Fit Index (CFI)	Standardized Root Mean Square Residual (SRMSR)
Time 1 and 2 Matched	Time 1	733.73	269	2.73	0.89	0.06
	Time 2	656.41	269	2.44	0.89	0.06
Time 1 and 2 Unmatched	Time 1	752.92	269	2.80	0.88	0.06
	Time 2	945.19	269	3.51	0.91	0.05
Time 2 and 3 Matched	Time 2	898.37	269	3.34	0.88	0.06
	Time 3	683.95	269	2.54	0.90	0.06
Time 2 and 3 Unmatched	Time 2	970.42	269	3.61	0.92	0.05
	Time 3	588.14	269	2.19	0.86	0.08

In the development of and for the duration of the study, we took several steps to minimize concerns regarding common method bias. For instance, we followed many of the recommendations made by Podsakoff, MacKenzie, Lee, and Podsakoff (2003). More specifically, we measured our constructs across multiple time periods, we reminded participants that their responses were anonymous, we carefully developed, pretested, and revised scale items, and we included many different types of scales in the survey (for a detailed discussion, see Podsakoff et al., 2003).

In the analysis of the data, we took further steps to minimize the concern for common method bias. For instance, we replicated our analyses on unmatched and matched samples of respondents, and we performed Harman's single-factor test to statistically assess the presence of common method bias (see prior discussion). As noted by Podsakoff and Organ (1986), common method bias is a concern only if (a) one factor emerges in an EFA or (b) one factor in an EFA captures the majority of the covariance among measures. The results of Harman's single factor test revealed multiple factors accounting for substantial variance across all data sets and therefore further alleviated any concerns of common method bias.[5]

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Time 1 and 2 Matched Data

To test Hypothesis 1, we performed a planned, repeated-measure comparison. As predicted, the analysis revealed that unethical behavior was lower in the time period after ethics training (Time 2; mean = 1.19) than in the time period before ethics training (Time 1; mean = 1.29; t [391] = -5.07, $p < .001$).

To test Hypotheses 2a and 2b, we conducted two separate analyses. In the first analysis, we summed responses across the observed unethical behavior items to create a construct that captured *the number of unethical behaviors* employees were willing to report. As predicted by Hypothesis 2a, a planned, repeated-measure comparison demonstrated that the average number of unethical behaviors employees were willing to report was higher in the time period after ethics training (Time 2; mean = 2.33) than in the time period before training (Time 1; mean = 1.00; t [391] = 10.07, $p < .001$), such that employees were willing to report on average more than twice as many behaviors in the time period after ethics training than in the time period before ethics training. In the second analysis, we compared the *number of employees* willing to report each of the eight unethical behaviors (that formed the construct) in the time period before and after ethics training. The results of the McNemar tests, which analyze frequency data from paired samples, confirmed Hypothesis 2b: more employees were willing to report each of the eight unethical behaviors in the time period after ethics training than in the time period before ethics training. See Table 2 for the results of the McNemar tests.

Hypothesis 3 focused on employees' perceptions of organizational efficacy in managing ethical violations. As predicted, a planned, repeated-measure comparison demonstrated that perceptions of organizational efficacy improved in the time period

Table 2: Results of McNemar Tests for Time 1 and Time 2 Matched Data

Violation	Willing to Report: Time 1	Willing to Report: Time 2	Test Statistic
Accepting a gift in excess of $100	52	119	45.34 ***
Claiming an unjustified expense	38	91	33. 84***
Sharing confidential information	47	114	42.75***
Accepting a kickback	92	172	47.06***
Engaging in nepotism	69	145	48.94***
Performing personal business on company time	16	39	11.76***
Stating discriminatory remarks	34	113	59.44***
Stating inappropriate sexual comments	44	122	52.45***

† $p < .10$
* $p < .05$
** $p < .01$
*** $p < .001$

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after ethics training (Time 2; mean = 3.30) when compared to the time period before ethics training (Time 1; mean = 3.07; t [261] = 3.73, $p < .001$).

To test Hypothesis 4, which focused on the normative structure underlying the organization's ethical culture, we performed a Pittman-Morgan test of variance, which tests for the equality of two dependent variances. As expected, the normative structure strengthened, such that there was significantly more agreement (which is reflected statistically by lower variance) about appropriate behavior in the time period after ethics training (Time 2; variance = 0.10) than in the time period before ethics training (Time 1; variance = 0.21; t [390] = -8.60, $p < .001$).

Our last predictions (Hypotheses 5a–5c) for Time 1 and Time 2 concerned perceptions of values across three segments of the organization: coworkers, supervisors, and senior managers. As predicted, planned repeated-measure comparisons demonstrated that employees perceived the firm's values as more important to coworkers in the time period after ethics training (Time 2; mean = 5.63) than in the time period before ethics training (Time 1; mean = 5.53; t [391] = 1.93, $p \leq .05$), and that employees perceived the firm's values as more important to senior managers in the time period after ethics training (Time 2; mean = 5.37) than in the time period before ethics training (mean = 5.24; t [391] = 2.39, $p < .05$). However, there were no differences in employees' perceptions of the firm's values to supervisors in the time period after ethics training (mean = 5.79) and the time period before ethics training (mean = 5.75; t [391] = 0.61, p = n.s.).

Time 1 and 2 Unmatched Data

For robustness, we repeated the above analysis on the unmatched data, which includes those who responded to the Time 1 or Time 2 survey (but not both). To test Hypothesis 1, we performed a planned comparison.[6] As predicted, the analysis revealed that unethical behavior was lower in the time period after ethics training (Time 2; mean = 1.21) than in the time period before ethics training (Time 1; mean = 1.34; t [471.13] = -4.39, $p < .001$).

To test Hypothesis 2a, we again summed responses across the observed unethical behaviors to create a construct that captured *the number of behaviors* employees were willing to report. A planned comparison confirmed that the number of unethical behaviors employees were willing to report was higher in the time period after ethics training (Time 2; mean = 2.06) than in the time period before training (Time 1; mean = 0.91; t [793.81] = 8.27, $p < .001$), such that employees were willing to report more than twice as many behaviors in the time period after ethics training than in the time period before ethics training.[7]

Hypothesis 3 focused on employees' perceptions of organizational efficacy in managing ethical violations. As expected, a planned comparison confirmed that perceptions of organizational efficacy improved in the time period after ethics training (Time 2; mean = 3.42) when compared to the time period before ethics training (Time 1; mean = 3.01; t [423.95] = 6.20, $p < .001$).

To test Hypothesis 4, which focused on the normative structure underlying the organization's ethical culture, we tested for the equality of the two (independent)

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variances. As expected, the normative structure strengthened, such that there was more agreement about appropriate behavior in the time period after ethics training (Time 2; variance = 0.14) than in the time period before ethics training (Time 1; variance = 0.24; F [315, 794] = 1.71, $p < .001$).

Our last predictions (Hypotheses 5a–5c) for the Time 1 and Time 2 unmatched data concerned perceptions of the firm's values across three segments of the organization: coworkers, supervisors, and senior managers. As expected, a series of planned comparisons showed that employees perceived the firm's values as more important to coworkers in the time period after ethics training (mean = 5.65) than in the time period before ethics training (mean = 5.31; t [482.84] = 4.34, $p < .001$), more important to supervisors in the time period after ethics (mean = 5.90) than in the time period before ethics training (mean = 5.66; t [482.20] = 2.87, $p < .01$), and more important to senior managers in the time period after ethics training (mean = 5.53) than in the time period before ethics training (mean = 5.12; t [527.58] = 4.93, $p < .001$).

Time 2 and 3 Matched Data

To test Hypotheses 6a and 6b, we performed planned, repeated-measure comparisons to test statistically significant shifts in means of the attributes of organizational culture. In support of Hypothesis 6b, we found unethical behavior was lower in the time period two-and-a-half years after ethics training (Time 3; mean = 1.17) than in the time period nine months after ethics training (Time 2; mean = 1.20; t [531] = -2.12, $p < .05$).

To test shifts in ethical behavior, we again conducted two separate analyses. In the first analysis, we summed responses across the observed unethical behavior items to create a construct that captured *the number of unethical behaviors* employees were willing to report in the time period before and the time period after the ethics training. A planned, repeated-measure comparison demonstrated that the number of unethical behaviors employees were willing to report in Time 3 (mean = 2.20) remained at Time 2 levels (mean = 2.16; t [533] = 0.30, p = n.s.), suggesting that

Table 3: Results of McNemar Tests for Time 2 and Time 3 Matched Data

Violation	Willing to Report: Time 2	Willing to Report: Time 3	Test Statistic
Accepting a gift in excess of $100	167	174	0.29
Claiming an unjustified expense	121	125	0.11
Sharing confidential information	148	142	0.23
Accepting a kickback	224	217	0.29
Engaging in nepotism	192	181	0.71
Performing personal business on company time	52	51	0.02
Stating discriminatory remarks	131	131	0.00
Stating inappropriate sexual comments	141	134	0.31

† $p < .10$
* $p < .05$
** $p < .01$
*** $p < .001$

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the effect of comprehensive ethics training persisted for two-and-a-half years after the comprehensive ethics training sessions. In the second analysis, we compared the *number of employees* willing to report each of the eight unethical behaviors (that formed the construct) in the time period before and after ethics training. The results of the McNemar tests (see Table 3) suggest that as many employees were willing to report each of the eight unethical behaviors in both Time 3 and Time 2.

In order to examine shifts in the normative structure underlying the organization's ethical culture, we once again performed a Pittman-Morgan test. This test indicated that the normative structure further strengthened in Time 3, such that there was more agreement (which is statistically reflected by lower variance) about appropriate behavior in Time 3 (variance = 0.08) than in Time 2 (variance = 0.10; t [530] = 2.84, $p < .01$).

No evidence was found of shifts in employees' perceptions of organizational efficacy in managing ethics. A planned, repeated-measure comparison showed no evidence of a shift in perceptions of organizational efficacy from Time 2 (mean = 3.31) to Time 3 (mean = 3.30; t [388] = 0.55, p = n.s.).

In support of Hypothesis 6a, planned, repeated-measure comparisons showed statistically significant reductions in employees' perceptions of the importance of the firm's values to employees, supervisors, and senior managers. Employees perceived the firm's values as less important to coworkers in Time 3 (mean = 5.47) than in Time 2 (mean = 5.65; t [530] = -3.43, $p < .001$), less important to supervisors in Time 3 (mean = 5. 75) than in Time 2 (mean = 5.86; t [531] = -2.09, $p < .05$), and less important to senior managers in Time 3 (mean = 5.22) than in Time 2 (mean = 5.41; t [529] = -3.76, $p < .001$).

Thus, we found mixed support for Hypotheses 6a and 6b in the matched data. Shifts in perceptions of values supported H6a; shifts in observed unethical behavior and the normative structure supported H6b. The lack of statistically significant shifts for intentions to behave ethically and perceptions of organizational efficacy suggest these attributes of culture remained similar between Time 2 and Time 3.

Time 2 and 3 Unmatched Data

To further test Hypotheses 6a and 6b, we performed planned comparisons to capture statistically significant shifts in means of the attributes of ethical organizational culture. A planned comparison demonstrated that unethical behavior remained at the Time 2 level (mean = 1.20) in Time 3 (mean = 1.22; t [1242] = 1.11, p = n.s.).

To examine shifts in the levels of observed ethical behaviors, we again summed responses across the observed unethical behavior items to capture *the number of behaviors* employees were willing to report in the time period before and the time period after the ethics training. A planned comparison demonstrated that the number of unethical behaviors employees were willing to report in Time 3 (mean = 2.02) resembled those in Time 2 (mean = 2.05; t [1242] = -0.21, p = n.s.), such that employees were willing to report the same number of unethical behaviors in Time 3 as in Time 2.

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To examine shifts in the normative structure underlying the organization's ethical culture, we tested the equality of the two independent variances. The analysis indicated that the strength of the normative structure persisted, such that agreement about appropriate behavior in Time 3 (variance = 0.37) was as strong as agreement in Time 2 (variance = 0.37; F [931, 311] = 1.00, p = n.s.).

We also examined shifts in employees' perceptions of organizational efficacy. A planned comparison suggests that perceptions of organizational efficacy in Time 3 (mean = 3.31) were similar to Time 2 (mean = 3.38; t [969] = -0.94, p = n.s.).

Our last analyses concerned perceptions of the firm's values across three segments of the organization: coworkers, supervisors, and senior managers. Our planned comparisons revealed statistically significant shifts in perceptions of the firm's values in all three segments. Employees perceived the firm's values as less important to coworkers in Time 3 (mean = 5.45) than in Time 2 (mean = 5.65; t [1242] = -2.96, $p < .01$), less important to supervisors in Time 3 (mean = 5. 67) than in Time 2 (mean = 5.86; t [1240] = -2.75, $p < .01$), and less important to senior managers in Time 3 (mean = 5.22) than in Time 2 (mean = 5.48; t [1237] = -3.32, $p < .001$)

Similar to the matched data set, we find partial support for Hypothesis 6a in the shifts of perceptions of values. Unlike the matched data set, observed unethical behavior and the normative structure did not shift in a statistically significant manner, which suggests these attributes of culture, like intentions to behave ethically and perceptions of organizational efficacy, remained similar between Time 2 and 3.

DISCUSSION

Though the U.S. Organizational Sentencing Guidelines provide firms with strong incentives to develop formal ethics training programs, promote ethical organizational cultures, and thereby decrease corporate offenses, much of the past research has overlooked the characteristics of these training programs. In this study, we introduced a theoretical foundation for comprehensive ethics training programs and the influence of these programs in organizations. We also reported the results of a longitudinal study that focused on the influence of comprehensive ethics training on organizations and the perceptions and decisions of their members. Though prior research on ethics training programs suggests that formal ethics training effects are momentary (Richards, 1999), non-existent (Laufer, 1999; Laufer & Robertson, 1997; McCabe, Treviño, & Butterfield, 1996; Stansbury & Barry, 2007), or negative (Kaptein, 2011b; McKendall et al., 2002; Sparks & Hunt, 1998), our study indicates that comprehensive ethics training is positively related to attributes of an ethical organizational culture and that many of these effects persist in the years after the introduction of the training program. This study provides not only evidence that formal ethics training programs are not merely cosmetic but also provides important descriptive—and prescriptive—insight into the development of effective formal ethics training programs in organizations.

Most importantly, through our longitudinal study design, we were able to capture both the convergence of initial effects on values and behavior within a year of training and the divergence of effects after the second year. More specifically, all

of our indicators of an ethical organizational culture shifted towards the content of the ethics training within the first year after training, and many remained the same or improved with time; perceptions of the importance of organizational values, however, did not remain elevated after two years. For instance, after the second year, a typical employee observed fewer acts of unethical behavior, but also perceived organizational values as less important to their coworkers, supervisors, and upper management. Even in our unmatched samples of study participants, values decreased in importance after the second year, but behaviors remained the same. Given the sustained or improved behavioral measures and perceptions of organizational efficacy in managing ethics, the lack of corresponding long-term improvement in perceptions of values is somewhat surprising, as scholars theorize that sustained behavioral improvements reflect the inculcation of organizational values (Kaptein, 2011a; Paine, 1994; Tyler & Blader, 2005). From this theoretical perspective, ethical behavior is best achieved through the internalization of shared organizational values, suggesting that the internalization of values mediates the relationship between formal ethics training and behavioral outcomes. While the nature of our study design prevents us from testing the mediating role of values in shifting behavioral outcomes, observations of unethical behavior decreased between Times 2 and 3, an effect that suggests the two may not be as tightly coupled as past theory suggests. In all, we find that changes to perceptions of values shift independently of unethical and ethical behaviors, such that an unfavorable shift in perceptions of values does not parallel a similar shift in unethical behaviors.

The departure between past theory on the importance of values and our findings can be interpreted in a variety of ways. First, the behavioral outcomes of the training may have been initially driven by perceptions of the importance of organizational values, but once behavioral outcomes improved, the behavior may have become self-reinforcing, such that future decreases in perceptions of values had no effect on the behavioral outcomes. This concept aligns with Bandura's (1977) concept of reciprocal determinism, whereby one individual's behavior affects a second individual's behavior and the second individual's behavior, in turn, influences the first. An alternative explanation suggests that prior to training the bank had already met a minimal level of shared organizational values needed for the positive behavioral and perceptual outcomes related to formal ethics training. Given that bank employee perceptions of organizational values were already considered important before training, the bank may have already possessed a foundation of shared organizational values needed for formal ethics training to be effective. Therefore, the return to pre-training perceptions of organizational values had no impact on the behavioral and perceptual variables. Last, it is possible that reduction in unethical behavior may have been driven by the compliance aspect of the training while shifts in the perceptions of values were driven by the ethics-oriented aspect of training, and these components fare differently over time. Future research should disentangle training effects on values from other important behavioral outcome variables, such as a willingness to report wrongdoing, with the goal of understanding the meaningfulness of misalignment between attributes of an ethical organizational culture. Knowing which attributes are likely to shift undesirably over time furthers our understanding

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of how culture evolves and can ultimately contribute to theory on promoting and maintaining an ethical organizational culture.

Regardless of the underlying mechanisms explaining the differential effects in the second year, our study findings suggest that the positive behavioral effects of formal ethics training can last more than two years after training, which contradicts the findings of some recent empirical studies (Kaptein, 2011b; McKendall et al., 2002; O'Fallon & Butterfield, 2005; Sparks & Hunt, 1998). Past inconsistencies in research on formal ethics training effectiveness may reflect differences in types of training. Here, we studied comprehensive ethics training, a specific form of formal ethics training that we described as driven by prescriptions found in judicial guidelines and framed and supported by a stream of research from highly regarded social cognition theories. While past researchers studied formal ethics training, the specific attributes of the formal ethics training—beyond frequency of communication (Kaptein, 2011b)—has been largely unexamined in field studies on unethical behavior. Though some studies consider the content for business ethics courses (e.g., Palmer & Zakhem, 2001; Pamental, 1991) and ethics programs (e.g., Reynolds & Bowie, 2004), few consider and study the content of formal ethics training (for an exception, see Sekerka, 2009) or relate it to specific employee outcomes. Researchers who found a negative relationship between formal ethics training and ethical outcomes did not differentiate types of training based upon content (Kaptein, 2011b; McKendall et al., 2002; O'Fallon & Butterfield, 2005; Sparks & Hunt, 1998). For instance, while Sparks and Hunt (1998) consider both participants' formal ethics training in their college education and in their careers, the two forms of ethics education are added to create a singular variable of ethics training. Presumably, the training received at work is more oriented towards the types of dilemmas faced in a particular work organization than the training received in college; with combined variables, however, the distinct effects of workplace ethics training are unknown.

The many renditions of training content and mechanisms of delivery thus complicate generalizations of all forms of ethics training, ours included. We view this as a fruitful direction for future research, as organizational literature would benefit from a more detailed understanding of how and when formal ethics training affects ethical outcomes. For instance, future studies could vary the mode of delivery, length of training, or content of the formal ethics training to better understand the effects on employee behavior and perceptions. In particular, a deeper understanding of the need for face-to-face training is particularly important given the prevalence of computer-mediated education, in general, and in ethics, in particular (Sekerka, 2009). While computer-mediated training appears, at first, to be cost-effective, organizations must consider the intermediate and long-term costs if computer-mediated ethics training has little to no effect on attributes of an ethical organizational culture. In such situations, less frequent face-to-face training may be a more effective approach to promoting an ethical organizational culture. Specifying how different kinds of ethics training fare over time would not only help further theory on formal ethics programs, but also assist in shaping policy on the requirements of such training.

Limitations

This study is not without shortcomings. First, as with much data supporting research in behavioral ethics, we were limited by our field site. These constraints did not permit an exploration of the underlying theoretical mechanisms through which comprehensive ethics training influenced the outcome variables. In order to obtain such highly sensitive data, we agreed to the research site's restrictions on research questions and study design. Though a difficult undertaking, future research could empirically examine these mechanisms by directly measuring, for example, employees' outcome expectancies and moral awareness.

Second, the lack of a control sample necessarily limits any causal claims. This data limitation is quite common in pre-post quasi-experimental designs and restricts our causal inferences. For this reason, our study adopted the more conservative matched and unmatched pre-post analysis approach recommended by Hall and Mansfield (1971) to minimize concerns over internal validity. This approach allowed us to exclude most of the "rival hypotheses" described in a classic treatment by Campbell and Stanley (1963), except for history and maturation (for discussion, see Hall & Mansfield, 1971). At the same time, the results of the study are difficult to reconcile with these alternative hypotheses. For instance, if the results of this study reflect maturation effects, the measures should increase or decrease through the duration of the study (see Campbell & Stanley, 1963). In contrast, the results of the present study demonstrated increases and decreases in constructs across time periods (e.g., values). Further, if the results of the study reflect historical effects, the measures should increase or decrease in parallel within time periods. Yet, the results demonstrated striking divergence in measures within time periods (e.g., values and behaviors). These inconsistencies, in combination with the results of prior cross-sectional research (Treviño et al., 1998; Treviño & Weaver, 2001; Weaver & Treviño, 1999; Weaver et al., 1999a, 1999c), strongly support our findings about the effects of comprehensive ethics training programs.

CONCLUSION

Despite the importance of formal ethics training programs to the U.S. Organizational Sentencing Guidelines, much of the past research has overlooked the characteristics and the influence of these programs. This research, however, is necessary to understand the kinds of programmatic efforts that successfully translate the theoretical constructs of responsive regulation. From the perspective of regulatory policy, the success of corporate oversight depends, in large part, on what makes for efficient and effective self-regulation—e.g., the kind of organizational due diligence reflected in comprehensive ethics training.

At the foundation of responsive regulatory theory is the premise that organizations can successfully self-regulate when certain incentives and disincentives are in place. Here we take an important step in examining the introduction of formal ethics training as a mechanism of firm self-regulation, with the goal of instilling an ethical organizational culture. The findings suggest that such mechanisms are not merely cosmetic and have important—and complex—influences on the perceptions and decisions of organizational members.

NOTES

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1. At the time of the Time 2 survey.

2. The respondents in the matched Time 1 data were older ($p < .001$) and consisted of a higher proportion of males ($p < .01$) than the Time 1 respondents in unmatched data. However, the respondents were similar in the number of years the respondents worked in their current position (p = n.s.) and for the bank (p = n.s.). Further, the Time 1 respondents in the matched data were older ($p < .001$), consisted of a higher proportion of males ($p < .01$), and had more years of experience in their current position ($p < .001$) and for the bank ($p < .001$.) than the Time 2 respondents in the unmatched data. This indicates that the analyses on the matched data are particularly important, as the use of the same participants provides for a control of differences in age, gender, and experience.

3. At the time of the Time 3 survey, one was missing.

4. Acceptable model fit is typically inferred when the χ^2/df ratio falls below 5 (Wheaton, Muthen, Alwin, & Summers, 1977) or 3 (Carmines & McIver, 1981), when the CFI is approximately 0.9 (Jaccard & Wan, 1996), and when the SRMSR does not exceed .08 (Hu & Bentler, 1999).

5. The results of the exploratory factor analyses are available from the authors.

6. We adjusted all Time 1 vs. Time 2 unmatched planned comparisons for unequal variances. This adjustment was necessary, as preliminary analyses suggested that the assumption of homoscedasticity was not satisfied for the Time 1 and Time 2 unmatched data. Note, however, that significance levels remain unchanged compared to the non-adjusted (standard) planned comparison.

7. McNemar's test requires matched (i.e., paired) data; thus, our Time 1 and Time 2 unmatched data do not permit an exploration of Hypothesis 2b.

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