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Impact assessment of ethics programs in organizations

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To my wife, Sandra

To my daughters and my son, Sofia, Paulina, and Eugenio

To my parents and brothers, Eugenio, Cecilia, Rodrigo, and Mauricio

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General introduction

Business ethics is a matter of practical relevance to organizations around the world as evidenced by the fact that most organizations have implemented ethics programs trying to improve the moral behavior of their employees (KPMG and RSM Erasmus University, 2008; Singh, 2011; Weber and Wasieleski, 2013). Unfortunately, despite these efforts that cost several million dollars a year to the average multinational company (Chen and Soltes, 2018), misconduct is still prevalent in organizations and new ethics scandals appear constantly in the newspapers. Recent examples are the 1Malaysia Development Berhad (1MDB) scandal, the Samsung Bribery case in South Korea, the Volkswagen emissions scandal in Germany, and the Odebrecht scandal in Latin America.

What is necessary to address this problem is not more money invested in more ethics programs, but better programs. To do this we need to know which the best programs are, this is, the most cost-effective ones. Answering this question is not easy and previous attempts to evaluate effectiveness of business programs have not offered many answers, as chapter 1 of this document shows.

The main goal of this thesis is to propose a methodology that may help find which business ethics programs work better, this is, which are more effective.

The inspiration for using the methodology proposed in this thesis was drawn from the field of development economics. In October 2019 the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel was awarded to Abihit Banerjee, Esther Duflo, and Michael Kremer “for their experimental approach to alleviating global poverty”. They revolutionized the field of development economics by changing the framing of the problem and using a powerful methodology: randomized control trials.

Banerjee and Duflo explain how well trained economists disagree over the usefulness of foreign aid to the development of poor countries because they have different theories of development in mind (Banerjee and Duflo, 2011). What is more important, Banerjee and Duflo argue that the relevant question is not if aid is useful overall but what specific uses of aid will have an impact on the lives of the poor. They propose to look for specific answers like what is the best way to prevent malaria, or to improve the learning outcomes of poor children. Banerjee and Duflo affirm that “the cleanest way to answer such questions is to mimic the randomized trials that are used in medicine to evaluate the effectiveness of new drugs (Banerjee and Duflo, 2011, p. 8). These trials or experiments divide the population randomly into a treatment group (those who receive the treatment) and a control group used as a comparison group (the counterfactual).

The main idea is to design an experiment to understand if one particular intervention (for example, giving away free insecticide-treated bed nets) will have an impact on a particular outcome (prevention of malaria) in a given context (rural areas in Kenya). There is an obvious concern about the generalization of results, but it can be solved with the help of replication studies under some different conditions (Banerjee and Duflo, 2009). By using this methodology, several researchers have found many answers that have improved the lives of the poor all over the world.

The same approach can be used in the field of business ethics. In this case, the researcher has to ask specific questions about the impact of different ethics programs in different contexts and build a body of knowledge about how to improve moral behavior inside organizations. What this document proposes is that researchers in the field should start looking for evidence about the impact of a specific kind of code on a specific outcome in a specific context, instead of discussing, for example, if codes of conduct are useful in general.

More specifically, if several studies find, for example, that a one-day ethical training precisely defined have a similar impact on, say, a measure of ethical intent in different industries or countries, we may have learned the magnitude of the impact of that specific ethical program. If we add the cost of implementing the training, we will have a measure of cost-effectiveness that may be compared with other ethical programs. Even if different impacts are found, carefully designed and reported experiments may shed light about the reasons for the different magnitudes (Banerjee and Duflo, 2009).

It is important to underscore that an adequate methodology is needed to be able to compare the results of different studies. As mentioned before, Banerjee, Duflo and Kremer, favor the use of randomized control trials (RCTs) to deal with endogeneity and learn about what works in development economics. In this thesis, it is stated that randomized control trials (RCT) should be used whenever possible, but there are some other methods that may be used to adequately measure the impact of ethic programs that deal effectively with endogeneity. The other suggested methods are regression discontinuity designs, difference in differences, propensity scores and matching (Athey and Imbens, 2017; Imbens and Wooldridge, 2009).

In the first chapter of this dissertation, we conduct a literature review and explain the methodology of this study. The objective of the chapter is to learn how researchers have measured the impact of ethics programs in organizations so far, what we can learn from them and what the main challenges these scholars have faced.

The literature review included 76 articles, 72 of them carried out a quantitative analysis and 4 conducted a qualitative analysis. The most common method used for assessing the effectiveness of ethics programs was regression, used in 40.8% of the studies. There was also frequent use of analysis of variance methods, especially ANOVA models (27.6% of the total). It is important to remark that we found three articles using an experiment to assess the effectiveness of ethics programs, but we didn´t find any article that implemented any of the methods proposed in this thesis in organizations.

Regarding the ethics programs evaluated, 53 studies analyzed codes of ethics or values statements, so this type of ethics program was by far the most frequently evaluated for effectiveness. Some others focused on ethics training programs or various ethics programs at once.

After carrying out the literature review, there is no conclusive evidence regarding the impact of ethic programs. The results vary widely, 47.4% of the articles found a positive impact, 23.7% found no impact and 28.9% found conflicting or insufficient evidence of effectiveness. Unfortunately, it is difficult to draw many important lessons from the existing literature mainly because it is not possible to compare the results of the different studies because they have different methodologies, they deal poorly with endogeneity and they study completely different programs in completely different contexts. This highlights the importance of the methodology proposed in this document.

The first chapter also has the objective of explaining the main methods proposed to study the impact of ethic programs in organizations. As mentioned before, we recommend an RCT whenever it is feasible, but it requires to design the experiment in advance and to be able to randomize the participants in the program. This might not be possible in some cases, for ethical or practical reasons. Therefore, we would need a different methodology.

The aim of chapter 2 is to analyze the ethical climate of a particular country, Mexico, to assess the best way of implementing the proposed methodology. We conduct an empirical experiment, consisting of a survey of 107 organizations with operations in Mexico to know what kind of ethics programs are being implemented and why, and if those programs are useful and what kind of challenges these programs must face.

We found that large companies in Mexico have implemented a set of formal ethical practices in accordance with international trends. 98% of the companies surveyed have a code of ethics and 92% have a mission and vision statement. 69% of them also have formal channels for conflict resolution or speak up policies. Most of them have compliance policies (65%), an ethics committee or similar (63%) and a person responsible for ethics (61%). However, relatively few companies in Mexico offer ethical training programs (41%).

The three most important reasons for developing ethical policies in Mexican organizations are the following: reputation, personal values of owners or directors and criminal responsibility.

Regarding the implementation of ethical practices, their definition and design corresponds to the highest operational level of the companies: the general manager and the management team, while their follow-up is most commonly the responsibility of the human resources area of the committee of ethics or the internal audit department.

Moreover, 54% of the companies believe they have achieved the level of ethical commitment they wanted. According to the respondents, the impact of ethical practices has been revealed in various areas of the company, such as an improvement in reputation, and an organization more focused on values and compliance with legal regulations.

Finally, in chapter 3 we conduct an RCT to measure the effectiveness of an ethics program at one of the most important pawnshop chains in Mexico where a sample of 519 workers took part. It has two main objectives. First, to demonstrate that it is feasible to implement the methodology proposed in this thesis and, second, to show a concrete example of how to implement this ethics program.

The ethics program to evaluate was the communication of the values code of the organization. The impact variable is the understanding of those values measured using vignettes. The 206 branches of the company were divided randomly into a treatment and a control group. The employees in the treated group were sent 7 emails each fortnight describing a value and giving an example of its meaning. When all the emails were sent to the treatment group, a survey was sent to both the treatment and control groups containing 7 vignettes, each one assessing the understanding of the values communicated through the emails.

The main empirical results suggest that the ethics program does not have a significant impact on the understanding of the code of ethics. Nevertheless, this understanding depends on some employees' socio-economic variables, such as their job tenure and their education levels, their knowledge of corporate ethical values and in which State the branch is located.

This thesis presents a complete vision of the literature on the impact of ethics programs in organizations. It shows that not only more research is necessary but also a different approach and a better methodology. Our research suggests improved methods to deal with endogeneity, and it generates comparable knowledge about what programs have a bigger impact. This document also shows what companies in Mexico are doing to promote a more ethical environment, why they are doing it and how good their results are perceived.

More importantly, this thesis lays the ground to conduct better studies of the impact of ethic programs in organizations. Inspired by the new methodology that revolutionized the field of development economics, changing the type of research conducted and improving the lives of many poor people worldwide, this document proposes a similar path to the business ethics scholars. Those scholars should build a body of knowledge about what works in the practice of ethics programs in organizations, which may lead to improving not only research but also to have a significant impact in the ethical behavior in the corporate world.

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Chapter 1. Literature review and methodological proposal

Introduction

The importance of addressing ethical behavior in organizations has become increasingly manifest following the major business scandals that unfolded in the wake of the twenty-first century, including the widely known cases of Enron, WorldCom and Parmalat. The 2008-2009 global financial crisis, likewise, seems to have been partly due to unethical behavior by managers in the major financial firms involved. Prior to the crisis, managers in these organizations received millions in bonuses for bringing in large profits by taking huge risks in the midst of a real estate bubble. These leaders arguably wagered the long-term sustainability of their firms, brushing aside the potential negative consequences for both their firms and, most importantly, the economy as a whole. Johnson (2009) claimed that "elite business interests [...] played a central role in creating the crisis, making ever-larger gambles, with the implicit backing of the government, until the inevitable collapse." Santoro and Strauss (2013) argued that the crisis was "fundamentally a crisis of business ethics." Similar opinions may be found in Fox (2013), Shoen (2017) and Nielsen (2010), among others.

The seriousness of these problems has sparked a movement aimed at improving ethical behavior in organizations: "Enron and the various other ethics scandals at the start of the century led to a closer look at compliance programs" (Hess, et al., 2006, p. 737). For instance, the Sarbanes-Oxley Act of 2002 was aimed at regulating, among other aspects, the way financial reporting is carried out and audited in business. Also, the *Federal Sentencing Guidelines for Organizations* were amended in 2004, with modifications including a focus on promoting ethical behavior in organizations in addition to the traditional aim of preventing companies from committing crimes. Adherence to the guidelines is not mandatory but implementing them may reduce the penalties imposed on organizations if they are found guilty of misconduct.

Thus, organizations are increasingly adopting ethics programs aimed at encouraging ethical conduct among employees. A study analyzing the implementation of ethics programs among Fortune 1000 companies until 1995 found that organizations in the US have, for the most part, implemented one or various forms of ethics programs, but the backing afforded to them varies considerably in terms of infrastructure, personnel, and activities (Weaver et al., 1999). More recent studies have found that organizations have been increasingly implementing ethics programs.

A study conducted by Weber and Wasieleski (2013), surveying members of the US *Ethics and Compliance Officers Association,* ECOA, found that 100% of the companies had an ethics or compliance manager, 98% had a code of ethics or ethics policy, 98% provided ethics training for employees, and 95% had some kind of internal unethical conduct reporting mechanism in place.

In a similar study by Singh (2011), a survey of Canada's largest companies by revenue revealed that 96.3% of organizations had a code of ethics, 66% had a corporate ombudsman to promote ethical conduct, 59% had ethics training programs in place, and 57% had an ethics committee to support the organization. Arguably, ethics programs are less frequent in Canada due to a less stringent regulation in that country than in the United States.

An international survey of codes of ethics in Fortune Global 200 companies found that 86% of such companies have a code of ethics in place. An analysis of the data obtained by region revealed that all such companies in North America have a code of ethics in place, while 80% of European organizations and 52% of Asian organizations have such a document (KPMG and RSM Erasmus University, 2008).

These studies show that significant efforts have been undertaken to implement ethics programs aimed at promoting ethical behavior in organizations. But there is not enough evidence to establish whether these efforts have been successful: the impact of the implementation of such programs remains uncertain. Hess et al. pointed to this fact, claiming that "there is also a general concern that the compliance programs adopted in response to the Guidelines[1] are inefficient. The chief concern in this regard is that programs will create "costs for firms that are not justified by the benefits they provide to society" (Hess et al., 2006, p. 733). As will be shown later in this chapter, there are

[1]That is, the U.S. *Federal Sentencing Guidelines.*

relatively few research studies aimed at addressing this concern, and the evidence they present is far from conclusive.

This chapter presents a literature review aimed at assessing the impact of ethics interventions or programs undertaken by organizations. It analyzes the state of the art in the available literature, the potential areas of improvement, and a proposal for a methodological approach to assess the impact of ethics programs.

Before moving further, we must establish a clear definition of two important concepts: ethics programs and impact assessment.

An ethics program comprises the "values, policies and activities which impact the propriety of organizational behaviors" (Brenner 1992, p. 393), containing both explicit and implicit components (Brenner 1992).

Explicit components may include codes of ethics, ethics training programs, employee orientation programs, ethics seminars, and managers' speeches, among others. Implicit components may include the corporate culture, incentive systems, promotion policies, valued behaviors, performance measurement systems and management behavior. (Brenner, 1992).

The difference between explicit and implicit components is that the former stem from a conscious effort by managers to promote ethical behavior in the organization, while the latter are not associated with a conscious or explicit ethics policy. Although implicit components do not develop from any deliberate ethical aspiration, their impact on ethics within organizations should not be downplayed. For example, employee promotion policy can undeniably have a significant impact on ethical behavior in the workplace. Employees will most likely display different moral behavior depending on whether promotion policy relies more heavily on goal achievement than on ethical conduct or the other way around.

If implicit components are factored in when considering ethics programs, then, as Brenner claims, "All organizations have ethics programs, but most do not know they do. This is because such programs are frequently not explicitly created, but inherent in the culture and process of the organization" (Brenner, 1992 p. 391)

Brenner's definition (1992) points to various elements that are not usually identified as taking part of ethics policy but which can have a significant impact on organizational ethical performance. Such an approach may contribute to increased awareness of the importance of considering management decisions not only in terms of their impact on economic efficiency but also in terms of their ethical impact.

However, this document will adopt a definition focusing exclusively on ethics programs. This study will henceforth consider only the explicit components of such programs, as its primary aim is to assess the effectiveness of policy that is deliberately implemented to improve moral behavior in organizations. This approach does not deny the importance of implicit components, but it is rather aimed at using a definition that is consistent with the primary aim of the study, which is to assess the impact of measures that are deliberately taken to address ethics in organizations.

Alternatively, some authors define ethics programs as a combination of elements. Kaptein (2011) defines ethics or compliance programs as "the formal organizational control system designed to impede unethical behavior [...] consisting of a range of components such as a code of ethics, ethics training, an ethics officer, and pre-employment integrity screening." Nonetheless, ethics programs in this study shall refer to any individual component without considering it as part of a broader set.

Impact assessment, for their part, refer to objective evaluations of a project, program, or policy which may be already completed, ongoing, or at a development stage. Impact assessments shall be considered an answer to a question about cause and effect, analyzing the outcomes and identifying the differences achieved as a result of the measures implemented. (Gertler et al., 2011).

It is indeed causality that distinguishes impact assessments from other types of assessment. Impact assessments may be rigorous in identifying the effects of a program in the absence of data on counterfactual outcomes, that is, outcomes for participants who have not been exposed to the program (Shahidur, et al., 2010, pp. 3 and 4). Following Pomeranz (2017, p.13), using high-quality methods is key to achieve reliable impact assessment results and thus be able to provide sound information for decision-making.

Impact assessment thus refers to a careful measurement of change in the target variable as a result of the implementation of a program — i.e., a set of measures aimed at producing changes in the target variable. Thus, an impact assessment makes it possible to evaluate whether an ethics program (a code of conduct, an ethics training program, etc.) is effecting any change in people's moral behavior within an organization, showing effects in any indicator measuring the program's effectiveness. The indicator, which represents the target variable, may come from an existing management performance indicator — such as missing inventory or customer complaints — or from a factor that is measured specifically for this purpose by conducting surveys, direct observation, or experiments.

Impact assessment of ethics programs is important for various reasons. First, it contributes to improving program effectiveness, supporting decisions to further the most effective programs and to change or discontinue those showing less impact or failing to achieve their purpose. Second, it enables better management of resources by avoiding spending on programs that are not successful. It enables a more efficient use of resources by investing in the more cost-effective programs. Furthermore, assessing effectiveness may contribute to an increased implementation of programs by organizations. Business managers focus on results, and so they may be reluctant to implement programs if they are not certain about their effectiveness. Providing compelling evidence of the positive impact of ethics programs may help to convince managers to invest in them. Thus, ensuring clear, objective and compelling impact assessments will potentially lead to better ethical performance in organizations.

Literature review

The literature review first aimed to find studies whose main purpose was to assess the effectiveness of ethics programs in organizations and which met certain criteria that will be discussed below. The studies selected for review were aimed at assessing ethics programs implemented as deliberate measures undertaken by organizations to promote better ethical behavior among employees. Thus, the studies reviewed were only those assessing whether a program had achieved a direct impact on ethics, assessing factors such as ethical intent or the occurrence of unethical behavior. This led to the exclusion of three types of studies. First, those that do not involve the assessment of any program but of some other phenomenon, like ethical climate. Second, those assessing the impact on some business indicator other than ethics, like employee satisfaction or profitability. Finally, research studies involving assessments outside the business context, such as experiments on students who do not have any employment commitment. Based on these parameters, the literature review excluded certain studies included in other similar reviews (Kaptein and Schwartz, 2008; Yallop, 2012)

The databases used to find research studies included *EBSCO's Business Source Ultimate* and PsycINFO, as they comprise the most relevant journals dealing with business and human behavior. The keywords used may be classified in three groups. The first group involved search results directly relating to business and organizations, including any of the following words: *company, business*[2]*, corporat*, organization, firm,* and *enterprise.* The second group was aimed at including research studies relating to effectiveness assessment, including the words *evaluation, impact, effectiveness, behavior, behaviour, influence,* and *attitudes.* The final group involved words relating to ethics programs, including *code of conduct, ethic code, ethic statement, ethic office, ethic officer, compliance officer, ethic training, ethic telephone line, hotline, ethic practice, ethic program, ethic intervention,* and *ethic policy.*

The searches of academic papers using these key words were conducted on both the titles and the *abstracts,* and, in the databases mentioned above, they yielded 1,311 search results. The search included no pre-determined initial date (the first paper we found was published in 1985) and it extended through March 2020. We also reviewed the titles of all the papers published in the *Journal of Business Ethics* between January 2019 and March 2020, as most of the research papers that met the established criteria were published in that journal — as will be shown further in this chapter.

The review of all the titles and some abstracts led to the exclusion of most papers (1,086), as they were not directly associated with ethics programs in organizations or were not impact assessments, and thus they did not meet the criteria established for this study. In the end, 120 papers were selected for the subsequent detailed review. When we read the references cited in those 120 papers, we decided to add 76 of those cited papers that met the selection criteria. Thus, the total number of papers that were read for this literature review was 196. A careful reading of those papers revealed that only 76 of them met all

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[2] The search included all the variants of the morpheme, including *corporation, corporative* and *corporate.*

the established criteria, and those are the papers that are comprised in the analysis presented in the following section.

Findings

The search for academic papers yielded 76 papers aimed at assessing organizational ethics programs — without factoring in any time or geographical criteria to limit the search. The details of these papers are shown in Appendix 1.1

First, it is evident in

Table 1 that the interest in program assessment has predominantly manifested after the mid-1990s, a period in which 17 papers were published. But, in contrast, only 8 research papers published before 1996 were found. Curiously enough, the number of published papers between 2006 and 2010 declined sharply compared with the previous decade and with the subsequent five years.

Table 1.1

Publication Period	
1985-1990	3
1991-1995	5
1996-2000	17
2001-2005	20
2006-2010	4
2011-2015	16
2016-2019	10
TOTAL	**75**

Source: Own elaboration.

The two following tables show the country where the studies were conducted and the journal in which they were published. First, 60% of the research studies addressing the impact of ethics programs refer to the U.S. This excludes a study conducted in the U.S. that analyzes an Israeli company and another study that analyzes companies in both the U.S. and Spain. In terms of number of relevant papers, the U.S. is followed by Canada and Hong Kong, with just three papers each.

Table 1.2

Country	
United States	45
Canada	3
Hong Kong	3
Belgium	2
Korea	2
International (more than 2 countries)	4
Other countries	16

Source: Own elaboration.

A comparable imbalance can be observed when looking at the journals in which the studies were published, with two thirds of them published in the *Journal of Business Ethics.* Followed by *Business Ethics Quarterly* and the *Journal of Marketing Research*, with five and two papers, respectively. The other academic journals had published only one research paper each on the topic.

Table 1.3

Journal	
Journal of Business Ethics	49
Business Ethics Quarterly	5
Journal of Marketing Research	2
Others	19
TOTAL	**75**

Source: Own elaboration.

With regard to the data sources, 72% of papers used surveys conducted by the authors, and it was thus by far the most common data source for this group of studies. This method for gathering data was followed by a method using vignettes, with 20% of researchers using that approach. Notably, researchers seldom used external data sources to analyze these topics, with only one paper reporting that kind of data source.

Table 1.4

Sources of data		**%**
Survey	54	72.0%
Vignettes	15	20.0%
Interviews	4	5.3%
Experiment	1	1.3%
External source	1	1.3%
TOTAL	**75**	**100%**

Source: Own elaboration.

Regarding the type of data analysis, 71 papers carried out a quantitative analysis and 4 papers conducted a qualitative analysis. The latter will be discussed next, and, subsequently, the key features of the former will be presented.

Table 1.5

Type of study		**%**
Qualitative	4	5.3%
Quantitative	71	94.7%
TOTAL	**75**	**100.00%**

Source: Own elaboration.

Qualitative studies included that of Kitson (2004), which was aimed at assessing the effectiveness of a code of ethics in the daily work of the *British Cooperative Bank* — the bank's ethics policy would be considered effective if managers actually adopted it, used it as a parameter for decision-making, and found it useful. Kitson conducted interviews with 17 managers from 10 different departments in the bank; they were given a questionnaire and were presented with hypothetical situations where they would have to make moral decisions. According to his report, the ethics policy was seemingly successful, but he could not reach a definitive conclusion.

Schwartz (2001) carried out a different qualitative study, conducting 57 semi-structured in-depth interviews with employees, managers, and ethics managers in four major Canadian companies. The most relevant findings of the study include the fact that in some cases the mere existence of a code of ethics was enough to achieve changes in behavior and the fact that the impact of ethics codes on behavior may take various forms.

Snell and Herndon (2000) also conducted a qualitative study to assess the impact of a campaign undertaken by the Hong Kong Independent Commission Against Corruption, which led several companies to adopt a code of ethics. They used various data sources including the analysis of the content of the codes, surveys, and semi-structured interviews. The study was conducted in 17 companies that had codes of ethics in place and were subjected to a detailed study that was chiefly aimed at assessing the perception of effectiveness. Unfortunately, the authors were not able to establish a definitive conclusion on the overall effectiveness.

Finally, van Zolingen and Honders (2010) also conducted a qualitative study on the effectiveness of ethics codes in organizations. The study was conducted at a local government office that had implemented a code of ethics one year before. The methodology consisted in asking employees to come up with metaphors for the current code of ethics and for the code they wished the government office where they worked would implement. Researchers determined the effectiveness of the code of ethics by considering the meaning of the metaphors. An example of a positive metaphor was a comparison of the code of ethics with a "guardian angel," because it is invisible, it is unequivocal, and it allows people to make their own decisions. Alternatively, an example of a negative metaphor was to compare it with "gift wrap," because it looks nice on the outside but not much is said about the content of the code internally. The study did not provide an overall effectiveness measure of the code, but it revealed some of the areas of improvement of the assessed code.

For the most part, the studies performing quantitative analyses used cross-sectional data. Only five of them used longitudinal data — 6.6%.

Table 1.6

Type of data		**%**
Cross-sectional	69	92.0%
Longitudinal	5	6.7%
Not applicable*	1	1.3%
TOTAL	**75**	**100.00%**

*Study using metaphors

Source: Own elaboration.

The methods used for data analysis varied. The most common method used for assessing the effectiveness of ethics programs was regression — used in 41.3% of the studies. There was also frequent use of variance analysis methods, especially ANOVA models. Three studies used an experimental approach. Other methodologies used include Probit, Logit, and Tobit models, discriminant analysis, and correlation analysis. The following section presents a detailed analysis of the methodological techniques used in the literature and their suitability for assessing effectiveness of ethics programs.

Table 1.7

Methodology		**%**
Regression[1]	31	41.3%
Analysis of Variance[2]	20	26.7%
Experiment	3	4.0%
Other	21	28.0%

1/ Includes hierarchical regression

2/ Includes ANOVA, ANCOVA, MANOVA and MANCOVA models

Source: Own elaboration.

With regard to the ethics programs assessed, 53 studies analyzed ethics codes or values statements, so this type of ethics program was by far the most frequently evaluated program for effectiveness. In addition, 5 studies focused on ethics training programs, and 18 studies assessed several ethics programs at once. For example, one study (Park and Blenkinsopp, 2013) assessed 6 types of ethics programs in tandem: code of conduct, ethics training, guidance mechanisms, hotline, sanctions for violation of the code, and ethical conduct evaluation.

Table 1.8

Program evaluated		**%**
Code of ethics*	52	69.3%
Several ethics programs	18	24.0%
Ethics training	5	6.7%
TOTAL	**76**	**100.00%**

* Includes codes of conduct and ethics statements

Source: Own elaboration.

Finally, the results regarding the effectiveness of ethics programs in organizations were varied. While 35 studies — 46.7% — found that the assessed programs were effective, 24% found no impact, and a significant group of 22 studies found conflicting or insufficient evidence of effectiveness.

Table 1.9

Effectiveness	**%**
Yes	46.7%
Weak	29.3%
No	24.0%
TOTAL	**100%**

Source: Own elaboration.

The review of the 75 studies did not point to any conclusions overall as to whether the ethics programs that are implemented in organizations are effective or not, or as to what the most effective or appropriate programs are, considering their cost. There is evidence supporting both effectiveness and ineffectiveness, and it is thus difficult to arrive at an overall conclusion. This may be due to a series of problems that are inherent in this type of impact assessment and that make it difficult to identify programs as the cause of the potentially observed effects, requiring special treatment. This will be further discussed in the following section.

Discussion

Managers devote an increasing amount of resources to ethics programs, hoping to improve ethical behavior in their organizations. Thus, the information concerning the effectiveness of such programs is of great interest to both managers and shareholders, and certainly to government officials and society at large. For that reason, the efforts undertaken by the authors of the studies discussed in this chapter deserve special recognition. Their studies provide the first evidence of the impact of ethics interventions, making up the first set of data to presumably indicate that, overall, ethics codes, ethics training, ethics managers, and the other ethics programs have a positive impact on variables like ethics climate, unethical behavior reduction, ethical behavior intentions, and other relevant indicators.

Yet it would be reasonable to expect that many more research studies were published on a topic of such interest. Arguably, the reason there are not any more such studies is the methodological difficulty they entail. Difficulties include low response rates in many of the surveys conducted and the measurement of variables themselves, as unethical behavior often remains concealed and unreported by its own nature. However, the greatest difficulty is arguably establishing a causal relationship between an ethics program and the outcome it is intended to achieve. This is arguably the most relevant opportunity for improvement in the literature in this field.

As mentioned above, most studies use cross-sectional data, and this makes it difficult to establish causality. One of the research studies reviewed claimed, "as with any cross-sectional correlational or regression analysis, causality cannot be inferred"

(Pelletier and Bligh, 2006, p. 371). Actually, the problem is not the data, but the methodology used to identify the relationship between them. There is reason to believe that the studies aimed at assessing the impact of ethics programs have certain features that make it difficult to establish causality, requiring a special methodological treatment that can account for this.

The problems researchers have to face in establishing causality stem from both the nature of the phenomenon to explain and the difficulties encountered in measuring it. These problems include omitted variables, two-way causality, self-selection bias, and common method bias. These problems arise with both longitudinal and cross-sectional data, and they are responsible for the inability to establish causality using the statistical methods used in the literature. Each of them will be discussed below.

Pomeranz (2017, p. 14) claimed that "Bias can also come about when an external factor affects those in the treatment differently from those in the comparison group. This is sometimes referred to as omitted variable bias. It biases the conclusion that is reached by comparing the treated group to a comparison group that no longer represents a valid counterfactual.

Two-way causality illustrates another potential problem in this type of research. It accounts for the fact that ethics interventions may indeed have an impact on variables like unethical behavior, but the latter may also have an impact on the existence of the former. For example, ethics training may reduce the incidence of theft in an organization, but an increase in the number of theft incidents may lead managers to introduce the training program. Thus, an increasing number of theft incidents may be associated with increased training, and this may lead researchers to underestimate the impact of the training program on the incidence of theft or even to come to the conclusion that the training program is resulting in increased theft among employees.

Another problem often associated with the implementation of ethics programs that interferes with impact assessment is self-selection bias. It denotes the existence of certain features in an organization that may influence the decision to implement an ethics program and that may also have an impact on the outcome at which it is aimed. Thus, companies having the best ethics features may turn out to be the ones deciding to carry out ethics programs, thus self-selecting themselves as those which carry out ethics interventions. This may be the case for organizations, departments within organizations, and employees.

For example, managers concerned with ethical behavior may effectively encourage it throughout the organization by engaging themselves in ethical conduct, but such concern may also lead them to implement a code of ethics, which may in turn be identified as the cause of an improved ethics performance, while in reality the cause may be the managers' exemplary behavior. A study found in the literature review (Delaney and Sockell, 1992, p. 723) considered in its findings an example of the possibility of self-selection bias for employees: "An alternative explanation for the Table II results is that ethical employees self-select into jobs at ethical companies." Thus, companies regarded as ethical may have better results not because they implement ethics programs, but because their reputation attracts employees who are more seriously concerned with acceptable moral behavior. Although Delaney and Sockell acknowledge this possibility, they did not take any steps to address it.

Finally, there is the common method problem. It refers to the fact that the measurements performed in studies on both ethics programs and the outcomes they are intended to achieve are often obtained from the same source. For example, respondents may be asked whether they are aware of the existence of a code of conduct or whether they can recall its content, and at the same time, they may be asked whether they have witnessed unethical behavior in the organization. Those who can recall the code, then, may be less likely to report unethical behavior, leading to a bias in data.

Overall, identifying causality proves to be difficult for various reasons primarily related to the problem of endogeneity. In other words, the variables that are meant to explain the studied phenomenon are not entirely independent. Technically, explanatory variables are associated with the error term. As mentioned above, this may be due to the existence of various biases inherent in the study of business ethics in organizations, including the omitted variable bias, the two-way causality or simultaneity bias, selection bias, and common method bias.

A study pointing at a potential solution to these problems is that of Beeri et al. (2013, p. 74), claiming that "Where possible, future studies should also include a control group that has not been exposed to the ethics program to avoid the effect of other inputs on the ethics and organizational outcomes." These researchers pointed at an interesting idea about where to find a solution, but they did not clarify how this could be achieved. The following section is aimed at presenting a proposal for a methodological approach that can address the problem of endogeneity in studies looking into ethics programs in organizations.

While studies have been conducted since 1985 to address the effectiveness of ethics programs, the question of whether they are useful or not has not yet been answered. According to Kaptein and Schwartz (2008, p. 112): "The conclusions of many conceptual studies on the effectiveness of business codes thus range from largely counterproductive (...), ineffective (...), often ineffective (...), insufficient (...), not very effective (...), doubtful (...), little impact (...), and less effective than their proponents think (...), to necessary (...), valuable (...), vital (...), invaluable (...), effective (...), and successful (…)."

We contend that the difficulty in this regard lies in attempting to answer a too general question. For example, studies aiming to find out whether ethics codes are effective in general often look at particular contexts — e.g. the U.S. manufacturing industry. Thus, the external validity of such studies may be called into question. It is important to understand that each study provides insight into the effectiveness of an ethics program within a limited context.

This positively calls for further research in this line of enquiry, ultimately leading to cumulative evidence for or against each ethics program in various contexts. For example, if a single program is assessed in service companies from various countries, yielding the same results, there can be further certainty about the overall validity of the program. Alternatively, if the results are variable, we can gain further insight into how the context by country, industry, etc. may impact the effectiveness of a program.

Thus, the general question of whether ethics programs are effective must arguably be answered step by step, addressing the more specific questions to gradually contribute to answering the most general question. However, studies need to fulfil certain features: they need to adopt a comparable methodology to ensure that the diversity of countries, industries, ethics programs and impact variables is not compounded by a variety of instruments and methods, precluding the possibility of aggregating the findings to build a deeper understanding of the usefulness and effectiveness of ethics interventions in organizations. Otherwise, we will see a paradoxical effect where further research in this line of enquiry will create further misunderstanding, rather than achieving a deeper comprehension of such a relevant issue.

In an effort to address such concern, the following section proposes a statistical methodology to assess the impact of ethics programs while adequately addressing the issue of causality. The proposed set of statistical methods has already been successfully implemented in other fields including development economics, but it has not yet been applied to business ethics.

There is extensive literature reporting the use of these methods in development economics, assessing a variety of programs in areas ranging from education and health to crime, micro-finance, and gender. Some examples of such studies include Bertrand and Mullainathan (2004); Dupas and Robinson (2013); Duflo et al. (2015); Banerjee et al. (2015); Duflo et al. (2018).

Proposal for a methodological approach

Aiming to address some of the problems associated with research on the effectiveness of ethics programs, especially that of endogeneity, this section presents a set of statistical impact assessment techniques. It is not intended to provide a comprehensive review of these methods, but it is rather aimed at presenting an intuitive account of the most commonly used and most useful techniques in this context.[3] First, it presents the randomized control trials technique, as it can be intuitively understood and is arguably the one that should be primarily used.

Randomized Control Trials

Randomized trials use the same logic as tests conducted to assess drug effectiveness in treating diseases, where "Allocating a program or intervention randomly across a sample of observations is one solution to avoiding selection bias " (Khandker et al. (2010, p. 33). In the drug trials, the population is divided randomly into a treatment group that is

[3]For a more comprehensive review, see: Imbens, Guido W. and Wooldridge, Jeffrey M. (2009), "Recent Developments in the Econometrics of Program Evaluation," Journal of Economic Literature, vol. 47, nº 1, pp. 5-86.

given the drug and a control group that is given a placebo, ensuring that the differences in the development of the disease can be attributed to the drug. In the case of ethics programs the studied population can also be divided randomly into a control group and a treatment group participating in the ethics program to be able to attribute to the program the differences in conduct or attitude between the two groups. The key idea is that randomization avoids any systematic difference between the two groups, except for the treatment (the ethics program).

An adequate use of randomized tests requires consideration of many elements including the calculation of statistical power, the randomization process, and the data analysis process, among others. An effective guide for this type of testing can be found in Glennerster and Takavarasha (2013) and Duflo et al. (2007).

A factor that restricts the possibility of using this technique is the consideration that the experiment must be designed before implementing the ethics program; otherwise, it will not be possible to randomize the implementation. If that is not possible, researchers must resort to a different impact assessment technique.

The following are the four most widely used techniques: *difference in differences, regression discontinuity design, matching, and propensity scores.* Imbens and Woolridge (2009) present a detailed review of the various methodologies.

Difference in differences

As mentioned in the previous section, a potential problem in attributing causality in cross-sectional studies may be associated with the possibility of a systematic difference between the companies that implement ethics programs and those that do not, or the fact that there may be another variable explaining both the existence of the program in a company and the value of the impact variable. Furthermore, a problem in longitudinal studies is that something may have changed over time — in addition to the implementation of the ethics program — affecting the value of the impact variable, but the change is rather attributed to the program, when it is not the real cause.

To address these problems, the difference-in-differences technique requires an assessment of a program's impact by determining the difference in means between the treatment group and the control group before and after the implementation of the treatment (ethics program), thereby ensuring that the systematic differences between companies are eliminated and that any change over time that may have potentially affected all companies is ruled out, making certain that the only remaining difference can be attributed to the treatment. The use of this tool requires measurements of both treatment and control groups before and after the treatment, otherwise researchers need to use a different technique (Bertrand et al. 2004).

Regression discontinuity design

If the treatment is determined by a continuous variable a regression discontinuity design may be used, taking a group of individuals and, by using a non-random selection procedure (cut-off point or *cut-point*), allowing each one of them the possibility to participate or not in the treatment thus ensuring that the probability of participation in the treatment is a discontinuous function (Van der Klaauw, 2002).

For example, if employees are selected to participate in an ethics training program based on the results of a moral development test, where anyone scoring below a specific cut-point must take the training program, the test will constitute a continuous variable that will enable the use of a regression discontinuity approach.

The idea is that, while treatment and control groups may show differences in various features which will potentially determine the outcome instead of or in addition to the training program, employees who are just above and just below the cut-point will be very similar, and thus the differences in the results obtained within the latter group may be attributed to the treatment (in this case, the training program). Thus, "the direction and magnitude of the change is a direct measure of the causal effect of the treatment on the outcome for candidates near the cut-point" (Jacob and Zhu, 2012, p. 4)

Matching and propensity scores

When the experiment cannot be designed from the start, there is no possibility of obtaining measurements before and after the treatment in both treatment and control groups, and there is no variable determining the treatment, there are other techniques that may be used; namely, the matching and *propensity score* techniques, which require an assumption referred to as exogeneity or treatment ignorability (Engle et al.1983).

This assumption states that, while the outcome of the treatment and the probability of being selected for it are related, they will be independent if they are made conditional on certain variables. The effectiveness of these techniques requires the use of such other variables. Each of these techniques will be discussed below.

The matching method takes two observation units (people, companies, etc., depending on the level at which the assessment is performed), one that has undergone the treatment and another that has not, and compares the results obtained from both. However, the matching process must be carried out between two people having the same characteristics — e.g., two employees from companies of comparable size, from the same industry, of the same sex, with similar responsibilities, etc. Directly comparing the units sharing these characteristics will avoid biases and provide a reliable measurement of impact, provided that the exogeneity assumption is fulfilled. The simple average of each of the differences will represent the measurement of the impact of the ethics program. The most significant disadvantage to this approach lies in the difficulty of finding perfectly comparable members between the two groups in certain types of non-experimental research studies (Heckman et al. 1997).

Finally, the *propensity scores* method (Rosenbaum and Rubin, 1983) involves estimating the probability of receiving the treatment[4] using a set of features like those used in the matching method. The probabilities, referred to as *propensity scores,* are subsequently used to obtain an estimator of the impact of the ethics program. "The validity of this method depends on two conditions: (a) conditional independence (namely, that unobserved factors do not affect participation, and (b) sizable common support" (Khandker et al. 2010, p. 53). This means that the density distributions of the probability associated to participants and to the control group should intersect significantly. *Propensity scores* (PS) may be used in various ways, including matching using the PS,

[4]This can be obtained by performing a regression analysis on a binary variable indicating whether the treatment was taken or not, compared with the set of features that may account for the probability. A probit or logit model is recommended.

weighing the values of the impact variable between the treated and the untreated groups, or serving as an explanatory variable in a linear regression analysis.

Conclusions

The need to maintain high ethical behavior standards in organizations is increasingly evident. However, the way to achieve that is not that obvious. Both public and private institutions have undertaken efforts to positively influence the conduct of their employees, implementing what we have referred to in this study as ethics intervention or program. The problem is the lack of knowledge on how effective these programs are in inducing the desired behavior. Even worse, there is no certainty of whether they are actually capable of modifying behavior in organizations. This is particularly worrying if we consider the overriding need business managers experience today to efficiently manage resources and, most importantly, avoid any possible waste.

That is why this review focused on studies addressing the effectiveness of ethics programs in organizations. A literature review has been conducted to analyze the state-of-the-art and to find opportunities for future development in research. Lastly, a proposal has been made for the use of a set of statistical methods that may contribute to addressing certain common problems in this field of research.

The first significant finding is that the studies addressing the effectiveness of ethics interventions in organizations do not provide sufficient grounds to draw any general conclusions on the usefulness of such programs. Indeed, it may seem that any further research on this topic may lead to more confusion rather than better answers.

As mentioned above, this may be due to two major reasons. First, each effectiveness study is influenced by a particular context determined by the size of the studied companies or the country where the study is conducted, among other factors. Thus, it is critical to recognize that each study provides insight only into what is going on in that particular context, and the results cannot be generalized. This calls for the development of further research to gain an increasingly deeper understanding of the effectiveness of the various ethics programs in a variety of contexts.

However, to ensure that each study provides a valuable piece to put together the puzzle of the effectiveness of ethics programs, a methodology is necessary to enable comparison among the various studies. This points to the second reason. The literature reviewed in this study involves a variety of methods that present numerous problems when attempting to make claims about causality, leading to a serious difficulty in achieving a more general wealth of knowledge. It is difficult to know whether the diversity of results is due to differences in specific factors, including the industry or the country, or whether it is due to differences or problems in methodology.

To address this issue, this study presents a set of statistical techniques that may help to avoid some difficulties associated with determining causality, which are inherent in research assessing the impact of ethics interventions. These techniques rely on finding an effective counterfactual that will make it possible to compare the situation with and without an ethics program.

The common use of these kinds of methods, including randomized experiments, difference-in-differences analyses, and regression discontinuity designs, among others, may conceivably sheds some light on the issue and contribute to building, with each new study, a mass of wide-ranging knowledge that may help companies and other organizations to invest their limited resources in ethics programs whose effectiveness has been proved, achieving better cost-effectiveness ratios.

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Appendix 1.1 Main characteristics of the reviewed papers

Authors	Publication	Year	Program evaluated	Impact?
Adam, A. M. and Rachman-Moore, D.	Journal of Business Ethics	2004	Code of ethics	Yes
Adams, J. S. et al.	Journal of Business Ethics	2001	Code of ethics	Yes
Akaah, I. P. and Riordan, E. A.	Journal of Marketing Research	1989	Code of ethics	No
Barnett, T. et al.	Journal of Business Ethics	1993	Several ethics programs	Yes
Beeri, I. et al.	Journal of Business Ethics	2013	Code of ethics	Weak
Brief, A. P. et al.	Journal of Business Ethics	1996	Code of ethics	No
Callan, V. J.	Journal of Business Ethics	1992	Code of ethics	Weak
Chonko, L. B. and Hunt, S. D.	Journal of Business Research	1985	Code of ethics	No
Constandt, B. et al.	Journal of Business Ethics	2017	Code of ethics	No
De Waegeneer, E. et al.	Journal of Business Ethics	2016	Code of ethics	Weak
Deconinck, J. B.	Marketing Management Journal	2003	Code of ethics	Yes
Delaney, J. T. and Sockell, D.	Journal of Business Ethics	1992	Ethical training	Yes
Douglas, P. C. et al.	Journal of Business Ethics	2001	Code of ethics	No
Erwin, P.	Journal of Business Ethics	2011	Code of ethics	Yes
Farrell, B. J. et al.	Journal of Management Psychol	2002	Several ethics programs	Weak
Fatemi, D. et al.	Journal of Business Ethics	2018	Code of ethics	Yes
Ferrell, O.C. and Skinner, S. J.	Journal of Marketing Research	1988	Code of ethics	Yes
Goel, R. K. et al.	Applied Economic Letters	2015	Several ethics programs	Yes
Granitz, N. A.	Journal of Business Ethics	2003	Code of ethics	Yes
Greenberg, J.	Organizational Behavior and Human Decision Process	2002	Several ethics programs	Yes
Harrington, S. J.	MIS Quarterly	1996	Code of ethics	Weak
Hauser, C.	Journal of Business Ethics	2018	Ethical training	Yes
Ho, C. M.	Journal of Business Ethics	2013	Code of ethics	Yes
Kaptein, M.	Journal of Business Ethics	2011	Code of ethics	Weak
Kaptein, M.	Journal of Business Ethics	2015	Several ethics programs	Yes
Ki, E. et al.	Journal of Business Ethics	2012	Code of ethics	Yes
Kirsten, M. et al.	African Journal of Business and Economic Research	2017	Several ethics programs	Yes
Kitson, A.	Journal of Business Ethics	1996	Several ethics programs	Weak
Lin, X. et al.	Journal of Business Ethics	2018	Code of ethics	No
MacLean, T. et al.	Journal of Business Ethics	2015	Several ethics programs	No
Majluf, N. and Navarrete, C.	Journal of Business Ethics	2011	Several ethics programs	Yes
Malloy, D. C. and Agarwal, J.	International Journal of Nonprofit & Voluntary Sector Marketing.	2003	Code of ethics	No

Authors	Publication	Year	Program evaluated	Impact?
Marnburg, E.	Business Ethics: A European Review	2000	Code of ethics	No
Martinson, O. B. and Ziegenfuss, D. E.	Management Accounting Quarterly.	2000	Code of ethics	Yes
McCabe, D. L. et al.	Business Ethics Quarterly	1996	Code of ethics	Yes
McKendall, M. et al.	Journal of Business Ethics	2002	Several ethics programs	No
McKinney, J. et al.	Journal of Business Ethics	2010	Code of ethics	Yes
Mitchell, T. R. et al.	Journal of Business Ethics	1996	Code of ethics	Weak
Murphy, P. R. et al.	Journal of Business Ethics	1992	Code of ethics	Weak
Nwachukwu, S. L.S.and Vitell, S. J.	Journal of Business Ethics	1997	Code of ethics	No
Paolillo, J. G. P. and Vitell, S. J.	Journal of Business Ethics	2002	Code of ethics	No
Park, H and Blenkinsopp, J.	International Journal of Public Sector Management	2013	Several ethics programs	No
Pelletier, K. L. and Bligh M. C.	Journal of Business Ethics	2006	Code of ethics	No
Peterson, D. K.	Journal of Business Ethics	2002	Code of ethics	Yes
Pierce, M. A. and Henry, J. W.	Journal of Business Ethics	2000	Code of ethics	Weak
Ruiz, P. et al.	Journal of Business Ethics	2015	Several ethics programs	Weak
Schwartz, M.	Journal of Business Ethics	2001	Code of ethics	Weak
Sims, R. L. and Keon, T. L.	Journal of Business Ethics	1999	Several ethics programs	Yes
Singh, J. B.	Journal of Business Ethics	2011	Several ethics programs	Yes
Singh, J. B. et al.	European Business Review	2018	Code of ethics	Yes
Snell, R. S. and Herndon, N. C.	Asia Pacific Journal of Management	2000	Code of ethics	Weak
Snell, R. S. et al.	Journal of Business Ethics	1999	Code of ethics	No
Somers, M. J.	Journal of Business Ethics	2001	Code of ethics	No
Stöber, T. et al.	Business Research	2019	Several ethics programs	Yes
Stohs, J. H. and Brannick, T	Journal of Business Ethics	1999	Code of ethics	Yes
Thaler, J. and Helmig, B.	Public Management Review	2016	Code of ethics	No
Treviño L. K. et al.	California Management Review	1999	Several ethics programs	Weak
Treviño L. K. et al.	Business Ethics Quarterly	1998	Code of ethics	Weak
Treviño, L. K. and Weaver, G. R.	Business Ethics Quarterly	2001	Several ethics programs	Weak
Udas, K. et al.	Journal of Business Ethics	1996	Code of ethics	No
Urbany, J. E.	Journal of Business Ethics	2005	Code of ethics	Yes
Valentine, S. and Barnett, T.	Journal of Business Ethics	2002	Code of ethics	Yes
Valentine, S. and Fleischman, G.	Journal of Business Ethics	2002	Code of ethics	Yes
Valentine, S. and Fleischman, G.	Journal of Business Ethics	2004	Ethical training	Yes
Valentine, S. R. et al.	Journal of Business Ethics	2018	Code of ethics	Yes

Authors	**Publication**	**Year**	**Program evaluated**	**Impact?**
Van Zolingen, S. J. and Hondens, H.	Journal of Business Ethics	2010	Code of ethics	Weak
Verma, P. et al.	Journal of Business Ethics	2014	Ethical training	Yes
Vitell, S. J. and Ramos Hidalgo, E.	Journal of Business Ethics	2006	Code of ethics	Weak
von der Embse, T. J. and Desai, M. S.	Information Management & Computer Security	2004	Several ethics programs	Weak
Warren, D. E. et al.	Business Ethics Quarterly	2014	Ethical training	Yes
Weaver, G. R. and Treviño, L. K.	Business Ethics Quarterly	1999	Code of ethics	Yes
Weeks, W. A. and Nantel, J.	Journal of Business Ethics	1992	Code of ethics	Weak
Withers, B. and Ebrahumpour, M.	Journal of Business & Economic Studies	2013	Code of ethics	Weak
Withers, B. et al.	Proceedings for the Northeast Region Decision Sciences Institute (NEDSI)	2011	Code of ethics	Weak
Wotruba,T. R. et al.	Journal of Business Ethics	2001	Code of ethics	Yes

Chapter 2. Ethical practices in large companies in Mexico

Introduction

Ethics represents a constant concern for business managers and putting it into practice in an organization's daily operation constitutes a significant challenge. The starting point to improve business ethics in managerial practice is an adequate evaluation of what is needed and what must be done.

Unfortunately, there´s not enough available information in the case of companies operating in Mexico to perform such an evaluation. Little is known about what business managers are doing in Mexico to improve their organizations' ethical performance, to know how important it is, what drives managers to make such an effort, and how satisfied they are with the outcomes. We decided to fill this gap to develop a deeper knowledge of the ethical context for organizations in Mexico and use that information to better design the empirical approach developed in the chapter 3 of this dissertation.

This study presents the findings of a survey examining large companies in Mexico, providing an insight into the degree of implementation of ethical practices in Mexico's largest organizations, as well as into the motivations for implementing them and the ethical sensitivity in organizations — i.e. the importance of considering ethical factors in decision-making.

Ethical practices

Business ethics can be defined as "a guide for human excellence in business organizations, or, more colloquially, as a guide for human quality in business” (Melé, 2019). Business ethics concerns both the individual actions of people engaged in business and the collective actions undertaken within organizations.

As Paine (1994) reminds us, ethics is intimately linked with management: business managers must acknowledge their responsibility in shaping ethical organizations. This requires organizations to have an ethical infrastructure in place. Tenbrunsel et al. posit that such infrastructure is composed of "formal and informal systems (...) as well as the climates that support these systems" (2003, p. 287). The organizational climates constitute the most wide-ranging level, comprising both formal and informal systems. According to Newman et al., an ethical climate refers to "shared perceptions between members of an organization or part of an organization as to what constitutes right behavior" (2017, p. 475).

This study focuses on formal or explicit systems of ethics programs, which we refer to as ethical practices, as we mentioned in the introduction, in accordance to the definition of Kaptein (2015) who defines an ethics or compliance program as “the formal organizational control system designed to impede unethical behavior”.

Also, as mentioned before, Brenner proposes that a corporate ethics program "is made up of values, policies and activities which impact the propriety of organizational behaviors" (1992, p. 393). Brenner further claims that ethics programs have both explicit and implicit components. Explicit components consist of formal ethical systems and implicit components consist of informal ethical systems.

Majluf and Navarrete define the explicit components of ethical programs as "all formal systems and procedures intended at establishing what is considered an ethical behavior, and monitoring the way principles, norms and rules are respected in the organization" (2011, p. 568).

While there is no consensus about what may be considered an explicit or formal component and an implicit or informal component, Majluf and Navarrete claim that explicit components typically include codes of ethics, manuals of policies, ethical training, programs of orientation to workers, and ethics committees (2011). Brenner, for his part, considers that implicit components of ethics programs include the following elements: corporate culture, incentive systems, valued behaviors, promotion policies, performance measurement systems, and management behavior (1992).

Approaches used in ethics programs

Paine claims that two approaches have been used in the implementation of ethics programs in organizations. One is based on compliance and the other is based on integrity or values. The goal of compliance-based ethics programs is "to prevent, detect, and punish legal violations" (1994, p. 106). The author also maintains that although integrity-based ethics programs may vary widely in design and scope, "all strive to define companies' guiding values, aspirations, and patterns of thought and conduct" (1994, p. 107).

One conclusion from her study is that "in the end, creating a climate that encourages exemplary conduct may be the best way to discourage damaging misconduct" (Paine, 1994, p. 117). In other words, she suggests that the values- or integrity-based approach delivers better results. This was empirically proven by Weaver and Treviño, who claim that, overall, "a values orientation makes a greater unique contribution to the measured outcomes when compared to a compliance orientation" (1999, p. 315). Nonetheless, the values-based and compliance-based approaches are not mutually exclusive, and research has proven that better outcomes may be achieved if they are used together (Weaver, 2014).

Previous research

It is important to have a clear understanding of the ethical environment organizations face in different countries to compare it with the situation businesses are facing in Mexico nowadays. We found several previous studies in different countries and one study of codes of ethics in Mexico We report the most relevant findings of these studies below.

Previous research has shown the expansion and implementation of ethical practices in various countries. For the U.S., a survey was sent out to the Fortune list of 1,000 largest companies ranked by revenues. The survey was completed by 254 companies. the study found that 98% of companies had a code of ethics in place or some other formal ethics-based document, and 54% of companies had a high-ranking executive charged with the specific task of watching over ethics in their organizations. In addition, about one-fifth to one-fourth of employees received some kind of ethics training or guidance at least once a year (Weaver et al., 1999).

The questionnaire used in this document was developed to study ethical practices in Spain (Fontrodona and de los Santos, 2004). The authors found that 85% of the firms surveyed had implemented some kind of ethics practice and the most common practice is the existence of documents like declaration of values, ethics codes, or corporate governance codes.

In 2007 a survey of the Fortune Global 200 companies was conducted about business codes (KPMG and RSM Erasmus University, 2008). They define a business code as “a document developed by and for a company as a guideline for the current and future behavior of its directors, managers and employees” (p. 6). They find that 86% of the companies surveyed had a code in 2007 and the three most important reasons for having a business code are to comply with legal requirements, to create a shared company culture and to protect/improve company reputation (p.8).

Kaptein reports the results of a survey of managers and employees (Kaptein, 2010). Unlike the other surveys reported here, the focus of the survey are managers and employees, not companies. They have a bigger sample, but a minority of the respondents are senior manager/junior manager (3.5% of the sample) or senior executive/officer (2.7%). Even though the results are not directly comparable to other surveys because of a different sample methodology, the article reports that 81.6% of the respondents said their company had a code of ethics in 2008 (p. 606). Communication and training to employees on code of conduct was de second most popular ethics program (76.3%), followed by policies to hold employees accountable for code of conduct violations (71%).

Another study conducted a survey of Canada´s 500 largest companies by revenue according to the National Post Business Magazine ranking for 2002 and 2006. The 2002 sample comprised 116 companies, and the 2006 survey covered 107 companies. The latter study found that 91.9% of companies reported a positive impact of the code of conduct on organizational policies. Also in 2006, 56.6% of companies reported having an ethics committee in place, and 57.3% offered ethics training for employees. In addition, 54.4% of companies conducted an ethics performance assessment, and 89% had corporate guidelines in place to support whistleblowers (Singh, 2011).

In Guatemala, the questionnaire developed by Fontrodona and de los Santos (2004) was used to evaluate ethical practices in mid-sized (between 80 and 200 employees) and large companies (more than 200 employees) (Cruz and Fontrodona, 2016). One of the main findings is that formal ethical practices exist in 81% of the companies. The most common practices are a formal channel to report malpractice or to ask questions about ethics (74% of the firms), code of ethics (71%), and a person or a team responsible for ethics (66%).

More recently, a study developed a questionnaire that was sent out to members of the U.S. Ethics and Compliance Officers Association, receiving 61 responses from a total of 475 organizations. The authors found that 98% of companies had a code of ethics or policy in place, and an equal percentage offered an ethics training program for employees. Ninety-five per cent of the companies had an internal reporting mechanism in place, and 74% conducted an assessment of employees' performance (Weber and Wasieleski, 2013).

Weber and Wasieleski also inquired into the reasons behind the development and maintenance of ethics programs. The major reasons they found were "to do the right thing", "comply with government laws", and "provide guidelines for employee conduct" (2013, p. 613).

There are other surveys about ethics, compliance, or integrity. See, for example, KPMG (2013, 2019), and PricewaterhouseCoopers (2016), but they have a different focus than the surveys reported here and both kind of surveys are not directly comparable.

In the case of Mexico, no previous study assessing ethical practices in organizations was found. However, in August 1999, IPADE's Philosophy and Business Department and *Mundo Ejecutivo* magazine conducted a survey of 300 companies to study their **codes of ehtics**. At that time, 91% of the 300 companies surveyed had **code of ethics** in place. The major reasons reported by respondents for having such a code in place were: "it contributes to employee and organizational development, "there must be laws regulating human conduct," and "there needs to be discipline in organizations" (Ibarra Ramos, 2002).

This study constitutes an update to these data, covering other types of ethical practices as well. It also inquiries into the motivations and perceived usefulness of such practices as a way of having an adequate context to conduct the empirical study in Mexico reported in the next chapter.

According to the studies reported here, most companies worldwide have at least one ethics program and the most common is the code of ethics. Moreover, the implementation of ethics programs has been increasing over time.

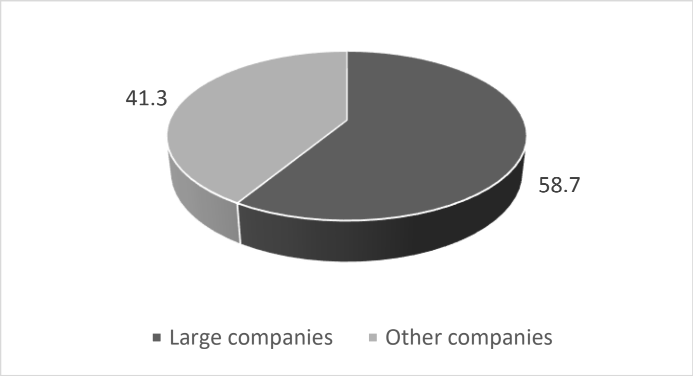
Methodology

The study focuses on the ethical practices of large companies operating in Mexico. Following Mexico's *Instituto Nacional de Estadística y Geografía* (INEGI) and based on the criteria published in the Official Gazette on December 30, 2002a company is considered large, when it has over 100 employees, for trade and services, or over 250 employees, for industrial enterprises.

According to INEGI, large companies account for 0.2% of the total number of economic entities and 28.8% of the total occupied workforce in Mexico. Nonetheless, they account for 58.7% of remuneration, 64.1% of total gross output, and 64.9% of fixed assets, as can be seen in charts 2.1, 2.2, and 2.3. These figures reveal the economic significance of large companies in the country, as well as their higher labor productivity compared with smaller economic organizations (Instituto Nacional de Estadística y Geografía (INEGI), 2014).

Chart 2.1

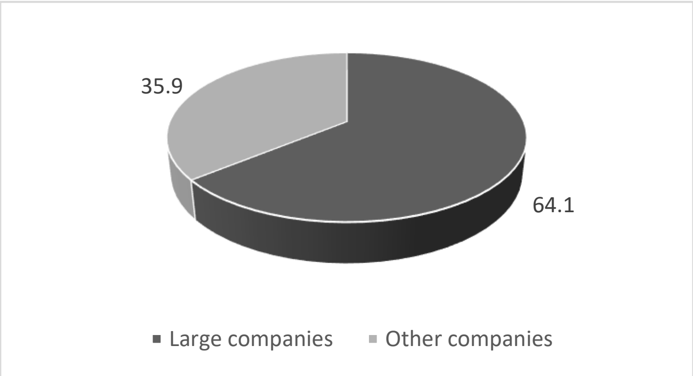
Remuneration of large companies and other companies as a percentage of total remuneration in Mexico



Source: INEGI.

Chart 2.2

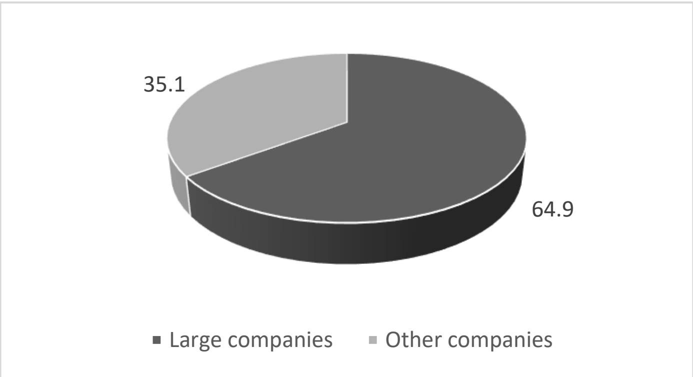
Gross output of large companies and other companies as a percentage of total gross output in Mexico



Source: INEGI.

Chart 2.3

Fixed assets, Fixed assets of large companies and other companies as a percentage of total fixed assets in Mexico



Source: INEGI.

As we mentioned before, the study is based on a survey developed in the SurveyMonkey platform and sent by e-mail to 463 large business organizations in Mexico. A total of 134 responses were received, and 107 of them had been completed in full. The results shown below are based on those 107 companies.

The response rate raises concerns about self-selection bias. Nevertheless, the final sample represent companies in all sectors of the economy as is shown below which is an indication of a balanced sample of firms. Moreover, the response rate of 23% is consistent with similar studies: Singh had a response rate of 21.8% (2011, p. 269) and the rate of Weber and Wasieleski was 12.8% (2013, p. 612).

As mentioned before, the questionnaire was developed by Fontrodona and de los Santos (2004). They applied the survey in Spain with a response rate of 12.2%. The questionnaire includes 27 questions and is divided in 4 parts: Corporate ethical sensitivity, corporate ethical practices, future perspectives, and general information about the company (the complete questionnaire can be consulted in the Appendix 1).

The survey was answered by senior managers. Most of the respondents (29%) were CEO, chairman, or regional director; 16% were the managers responsible for compliance, ethics, corporate social responsibility, or sustainability; 13% were in the human resources department, 8% were either CFOs or corporate lawyers; and the rest are various top managers in areas like sales, operations, strategy, and technology, among others.

Table 2.1 shows the companies considered in the study by sector. The number of companies varied considerably by sector, but there was a larger proportion of retail, financial services, and insurance companies.

Table 2.1

Sectors of surveyed companies

Agriculture, Livestock, and Fisheries	4.70%
Mining, Oil and Gas	1.90%
Construction	2.80%
Food and Beverage, and Tobacco	11.20%
Wood, Paper and Cellulose	2.80%
Chemicals and Petrochemicals	1.90%
Motor Vehicles and parts	7.50%
Electronics	0.90%
Metals	1.90%
Concrete, Ceramics, and Glass	0.90%
Other Manufacturing Industries	6.50%

Retail	12.10%
Transportation services and Warehousing	4.70%
Information, Media, and Telecommunications	2.80%
Financial services and Insurance	17.80%
Food services and Accomodations	2.80%
Health care	5.60%
Professional services	1.90%
Other Services	9.30%

Source: Own elaboration.

The majority (57%) of the companies surveyed were Mexican. However, there were also companies from the United States (18%), followed by companies from Germany, Japan, and Canada (see Table 2.2).

Table 2.2

Country of origin of surveyed companies

Mexico	61
USA	20
Germany	6
Spain	4
Canada	3
Japan	3
France	2
Switzerland	2
South Africa	1
Denmark	1
South Korea	1
Uruguay	1
Colombia	1
UK	1

Source: Own elaboration

Findings

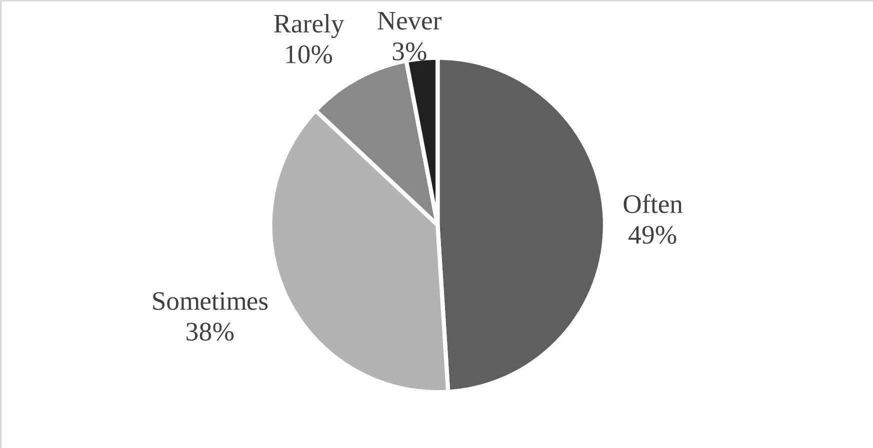
Ethical Sensitivity

The first question addresses the sensitivity of organizations towards ethics. In other words, it assesses how concerned they are about ethics, whether they believe ethics plays an important role in business decisions, and whether they consider that ethics has helped the organization in some way.

The surveyed organizations reported that ethics plays a key role in decision-making. Nearly half of respondents reported that this is often the case, and 38% reported that this is sometimes the case. Only 3% claimed that ethics never plays a significant role when making business decisions (see Chart 2.4).

Chart 2.4

Over the past year, have you had to make decisions in which ethics played an important role?



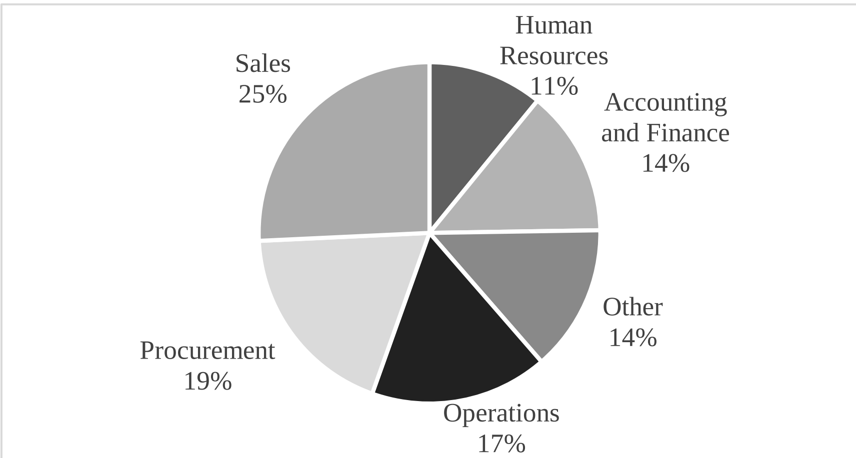
Source: Own elaboration

Focusing on ethical sensitivity, 67% of respondents reported that they have often "felt good" ethically when considering the decisions they have made. Furthermore, 83% of companies having formal ethical practices in place reported that it has often helped them in decision-making. Also, 82% reported that ethics constitutes a relevant factor in setting objectives and effective targets in their management process.

The business functions that most often report ethical problems include Sales, Procurement, Operations, and Accounting and Finance departments — in that order (see Chart 2.5).

Chart 2.5

What departments in your organization face ethical problems more often?

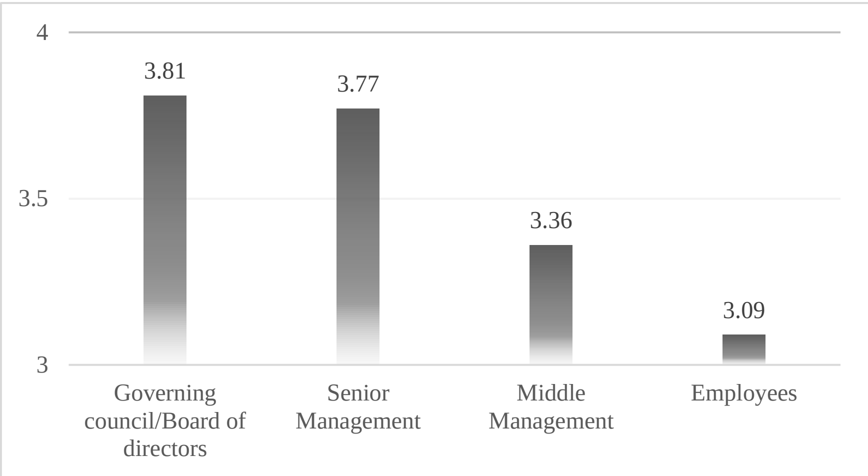


Source: Own elaboration

The level of commitment to ethical conduct is not the same at all levels of the organization. Respondents reported that ethics is more frequently considered at the upper management levels of the organization (see Chart 2.6).

Chart 2.6

To what extent do people across the various levels of your organization take ethical criteria into account when acting? (Scale: 4 Often - 1 Rarely)



Source: Own elaboration

A more detailed analysis of the extent to which ethical criteria are taken into account in performing activities at each level of the organization — where possible answers are **often, sometimes, occasionally**, and **rarely** — shows that the most common answer by boards of directors and management teams is **often**, with 85% and 79%, respectively. But the most common answer by middle managers was **sometimes** (53%), followed by **often** (41%). Employees have a more pessimistic perception, as 64% of them answered **sometimes**, while only 22% of them answered **often** and 12% answered **occasionally**. It is thus clear that a particular concern companies should address is how to improve ethical conduct among the most operational levels of the organization.

Ethical practices

This section discusses the ethical practices or formal ethics programs implemented by companies in Mexico. It analyzes what practices have been adopted, who has designed them, and who oversees their monitoring.

The first highly relevant point is identifying what ethics programs or practices have been implemented in Mexican companies. The previous section made it clear that companies are concerned about ethics, but it is relevant to determine what actions they are taking as a consequence — i.e., whether they have undertaken ethical practices to help employees improve their moral conduct.

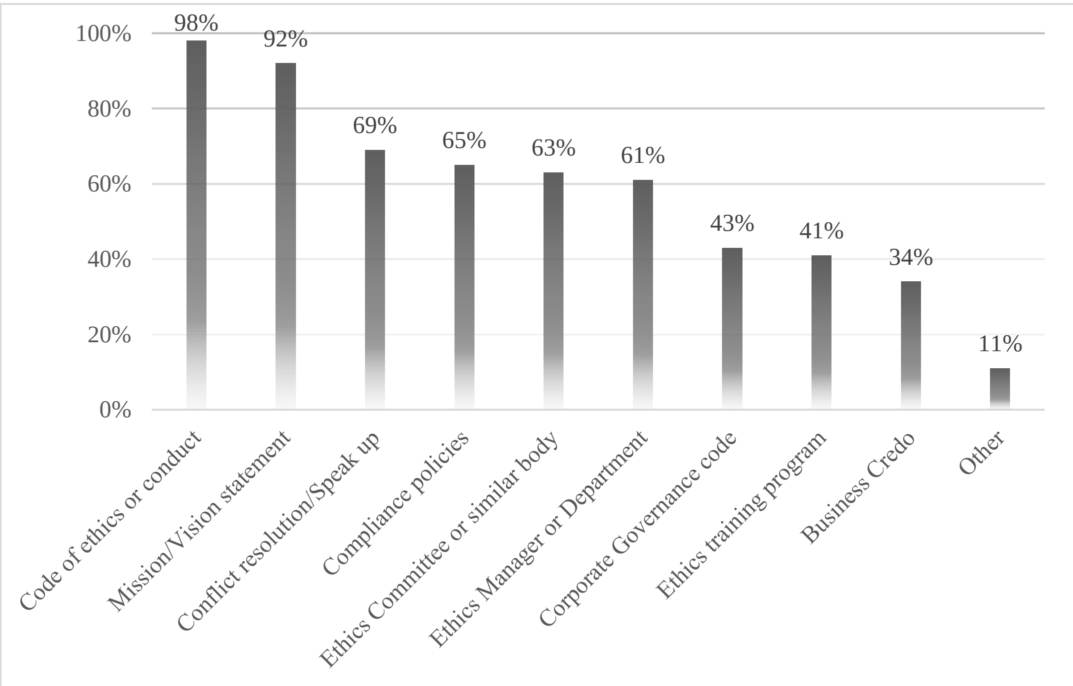
First, a point in case is the fact that 98% — virtually all the companies that responded to the survey — have a code of ethics or code of conduct in place, and 92% have a mission and vision statement. This suggests that Mexico has followed the international trend: “codes of conduct are often the first measure taken by organizations to regulate the conduct of employees” (Singh, 2011).

A measure that may help employees who care about ethical conduct but for some reason find it difficult to discern is to provide a suitable instrument to ask questions about ethical issues and to report unethical conduct in the organization, 69% of the companies surveyed had such mechanisms in place. Furthermore, 65% of respondents reported having ethics compliance policies in place, and 63% reported having an ethics committee or a comparable body in place.

Also, only 43% reported having a corporate governance code. Ethics training is also implemented in less than half of the surveyed companies — only 41% reported having an ethics training program in place (see Chart 2.7).

Chart 2.7

Indicate what practices are implemented in your organization



Source: Own elaboration

Table 2.3 relates the ethics programs implemented with the economic sector of organizations. The sectors with the highest levels of implementation of each ethics practice are marked with an H next to the corresponding percentage. An L indicates the sectors with lowest percentages of adoption of each practice.

Table 2.3

Ethical practices and economic sector

Sector	Mission / Vision statement	Business Credo	Code of ethics or conduct	Corporate Governance code	Compliance policies
Agriculture, Livestock, and Fisheries	80%	20%	100%	40%	60%
Mining, Oil, Gas, and construction	60%L	0%L	100%	80%H	40%
Food and Beverage, and Tobacco	92%	33%	100%	42%	50%
Motor Vehicles and parts	88%	38%	75%L	25%	75%
Other Manufacturing Industries	94%	44%	100%	31%	81%
Retail	92%	23%	100%	31%	38%
Transportation services and Warehousing	100%H	20%	100%	0%L	20%L
Financial services and Insurance	89%	32%	100%	63%	74%
Health care	100%H	17%	100%	33%	83%H
Other Services	100%H	56%H	100%	56%	83%H
Total	**92%**	**34%**	**98%**	**43%**	**65%**

Source: Own elaboration

The two sectors with the highest levels of adoption of ethical practices are health care and other services (this sector includes mainly holdings and companies with varied business units). The health care sector ranks highest in the implementation of mission/vision statements, compliance policies, ethics manager or departments, and conflict resolution mechanisms/speak up policies, while the other services sector has the highest percentage of adoption of mission/vision statements, compliance policies, ethics manager or department, and ethics training programs.

Table 2.3 (cont.)

Ethical practices and economic sector

Sector	Ethics Manager or Ethics Department	Conflict resolution mechanisms/Speak up policies	Ethics committee or similar body	Ethics training program	**Average**
Agriculture, Livestock, and Fisheries	20%L	80%	40%	40%	**53%**
Mining, Oil, Gas, and construction	40%	60%	60%	40%	**53%**
Food and Beverage, and Tobacco	50%	58%	50%	25%	**56%**
Motor Vehicles and parts	38%	50%L	38%	38%	**51%**
Other Manufacturing Industries	69%	81%	75%	56%	**70%**
Retail	38%	62%	31%L	15%L	**48%L**
Transportation services and Warehousing	60%	60%	60%	20%	**49%**
Financial services and Insurance	74%	74%	84%H	42%	**70%**
Health care	83%H	83%H	67%	50%	**69%**
Other Services	83%H	72%	78%	61%H	**77%H**
Total	**61%**	**69%**	**63%**	**41%**	**63%**

Source: Own elaboration

In Table 2.4, the ethical practices are compared to the national or foreign origin of organizations. National organizations have a higher percentage of adoption of mission/vision statements, codes of ethics or conduct, and corporate governance codes. On the other hand, foreign companies have a higher proportion of business credos, compliance policies, ethics managers or departments, conflict resolution/speak up mechanisms, and ethics training programs.

Table 2.4

Ethical practices and country of origin

Ethics program	National origin	Foreign origin
Mission/Vision statement	93%	89%
Business Credo	28%	41%
Code of ethics or conduct	100%	96%
Corporate Governance code	44%	41%
Compliance policies	48%	89%
Ethics Manager or Ethics	52%	72%
Conflict resolution mechanisms/Speak up policies	66%	74%
Ethics Committee or similar body	62%	63%
Ethics training program	36%	48%

Source: Own elaboration

If we look at who designs ethical practices, the CEO and the management team are predominantly the ones who fulfill the task. The human resources department and the board of directors also play a key role in it. In addition, ethical practices are strongly aimed at ensuring compliance with the law (as is shown below), and thus participation by the legal and internal audit functions is important (see Table 2.5).

Table 2.5

Participation of managers and departments in defining and designing ethical practices

(Scale: 1 No participatiosn – 4 close participation)

President/CEO	3.7
Senior Management	3.6
Human Resources Department	3.5
Governing Council/Board of	3.5
Legal Department	3.3
CSR/Corporate Reputation	3.3
Internal Audit Department	3.2
PR/Corporate Communications	2.7
External Advisors	2.5
Other	2.4

Source: Own elaboration

The open question of whether there was any other role or function involved in the definition and design of such practices prompted the following answers: the philosophy manager, the compliance officer, suppliers of goods and services who support such practices as part of a client and supplier development program, and an audit committee composed of independent advisers and an internal and external audit function.

The implementation of ethics programs must be followed by a proper monitoring function. In organizations operating in Mexico, this task is predominantly undertaken by the human resources department, as nearly one in every five companies has such a configuration. As mentioned earlier, some companies have an ethics committee or have appointed someone who is directly responsible for ethics in the organization. Specifically, 16% of companies rely on an ethics committee to fulfill this function, and 15% rely on an ethics manager. Notably, in 13% of companies, this responsibility is attached to the role of the CEO (see Table 2.6).

Table 2.6

Who is directly responsible for monitoring ethical practices in your organization?

Human Resources Department	19%
Ethics Committee	16%
Internal Audit Department	16%
Chief Ethics Officer	15%
CEO/President	13%
Other (specify)	9%
CSR/Corporate Reputation Department	7%
Legal Department	6%

Source: Own elaboration

Another interesting finding is what respondents reported when asked about who should be responsible for monitoring. The answers included the following: the Risk Manager, the Controller's office, the Internal Audit and Corporate Governance Manager, the Philosophy Manager, the Compliance and Regulatory Affairs Manager, the Internal Control Manager, and the Corporate Governance Manager who reports to the Chairman of the Board. The answers also included the idea that all employees are responsible for ethics. As one of the respondents stated: "All employees and leaders are considered responsible for compliance. It is a "shared responsibility." Another answer was “while the internal control function is in charge of identifying all applicable policies, HR is in charge of looking into each case and ensuring fair treatment for everyone involved, as well as defining corrective measures or consequences for them."

Motivation, budget, and impact

In addition to identifying what ethical practices organizations have adopted, it is important to know what reasons have motivated organizations to implement them. The survey revealed that the primary reason is reputation (see Table 2.7). The personal values of owners and managers ranked second, indicating that ethical leadership also plays a key role within organizations because it embodies a particular way of steering the company at the moral level.

Compliance with the law and the need to prevent fines or sanctions are also significant factors when considering the adoption of ethical practices. Both the company's criminal liability and the international regulations and legal requirements constitute reasons to adopt such practices. Another finding is that the personal development of employees constitutes a significant reason for adopting ethical practices.

Such a variety of motivations, combining elements relating to both values and compliance, is consistent with reported findings at the international level. A study by KPMG and RSM Erasmus University found that the primary reasons for adopting a code of ethics are ensuring compliance with legal requirements, creating a shared corporate culture, protecting/improving the company's reputation, improving staff conduct, and becoming a socially responsible company — in that order of importance (KPMG and RSM Erasmus University, 2008, p. 8).

Respondents were given the opportunity to cite reasons for implementing ethical practices other than the options provided by the interviewers. The following are 6 additional reasons cited by respondents:

• It is part of the work ethos, and it is designed to ensure that the company's growth is achieved in an orderly fashion, ensuring a consistent approach to ethics and values for action.

• Commitment to social development

• A key element for the corporate transformation process that the company has undertaken

• Clarity and certainty that no one in the organization will be exempted if they engage in ethical misconduct; regardless of their level in the organization, there will be consequences.

• Improving the workplace environment, offering clarity in defining career and life plans, ensuring transparency towards shareholders.

• Our own Corporate Culture

Table 2.7

Please, indicate, on a scale from 1 (not important) to 4 (very important), to what extent the following reasons have motivated your company to develop a corporate ethics policy.

Reputation	3.5
Personal values of owners or senior managers	3.4
Criminal liability by the company	3.2
Personal development of employees	3.2
International regulations	3.1
Legal requirements	3.0
Facilitating autonomous and quick decisions	2.9
Requirements by parent company	2.9
Bad experiences	2.8
Requirements by financing institutions	2.6
Participation in business or professional associations	2.6
Requirements by strategic partners	2.6
Other reasons	2.4

Source: Own elaboration

Although implementing and monitoring ethical practices in organizations requires financial resources, most of the companies surveyed reported not having a budget allocated for such practices. The cost of such practices is most likely carried into the budget of the department responsible for their implementation and monitoring (see Table 2.8).

Table 2.8

What is the range of the annual budget that your company allocates to managing and developing ethical practices? (US dollars)

There is no budget specifically allocated to ethical practices	42%
Less than US$50,000	15%
US$50,000 – US$100,000	19%
More than US$100,000	24%

Source: Own elaboration

An ongoing debate surrounding business ethics refers to the question whether ethics pays — i.e., whether there is a business case for ethical conduct in organizations. The subsequent question may offer some insight in this regard, as it elicited reports of certain positive effects of implementing ethics programs on business.

The positive effects of ethical practices are observed in various areas of business: relationships with suppliers, the value chain, employee motivation, product quality, and even strategic partnerships. Some respondents reported additional positive impacts of adopting ethical practices. A company from the pharmaceutical sector reported increased credibility among patients, and a company from the educational services sector reported increased differentiation value compared with competitors and increased preference among clients.

The most significant positive effects include reputation, which, as mentioned earlier, constitutes one of the key reasons for implementing such programs. Two additional significant impacts are associated with the compliance-based approach, one refers to a contribution to ensuring compliance with regulations and the other refers to a decrease of sensitive situations or conflicts of interest (see Table 2.9).

Table 2.9

Please, on a scale from 1 (null) to 4 (strong), indicate the level of impact achieved by the ethical practices implemented in your organization.

The company's reputation has improved	3.5
The organization has become more values-oriented	3.5
Compliance with legal regulations has improved	3.4
Sensitive situations or conflicts of interest have decreased	3.3
They have helped us to better control relationships with suppliers	3.1
They have helped us to better control our value chain	3
Working climate and employee motivation have improved	2.9
Product quality or service delivery have improved	2.9
Opportunities have opened up with financing institutions	2.8
Opportunities have opened up to establish strategic partnerships	2.7
Business has increased	2.5
Other	2.5

Source: Own elaboration

Thus, the observed impact of ethical practices relates to both business factors and ethical values and regulatory compliance. In addition, a majority of respondents reported that the ethical practices are consistent with what they see every day in their organizations (see Table 2.10).

Table 2.10

In your opinion, are the values that support the ethical practices consistent with the day-to-day experience in your organization?

Yes	90%
No	10%

Source: Own elaboration

Monitoring and commitment

The introduction of ethics programs must be followed by measures to monitor compliance. When asked whether there are any measures taken to monitor and encourage compliance with the standards and values expressed in the adopted ethical practices, 86% of respondents answered positively.

Those who answered affirmatively were asked to specify what such measures were. A proportion of 30% of respondents cited internal audits, 25% cited training programs, and 23% reported including such considerations when conducting employee performance reviews. In addition, 21% reported conducting internal surveys for that purpose (see Table 2.11). Those who reported not taking any such measures were asked whether there were any plans to do so, and 60% answered positively.

Table 2.11

What actions are undertaken to monitor and promote compliance with the rules and values associated with the company's ethical practices?

Internal audits	30%
Training	25%
Performance assessment	23%
Surveys	21%

Source: Own elaboration

Ultimately, the aim of adopting ethical practices is to improve employee performance in an organization. This requires employees to make an ethical commitment that will lead them to change their conduct. In that regard, respondents reported that the company's board members and senior managers are the ones who have most seriously demonstrated the ethical commitment that such practices are intended to encourage. Such commitment reportedly tends to decrease as one looks further down in the organization's management structure (see Table 2.12).

Table 2.12

To what extent have the various organizational levels fulfilled the ethical commitment promoted through the ethical practices?

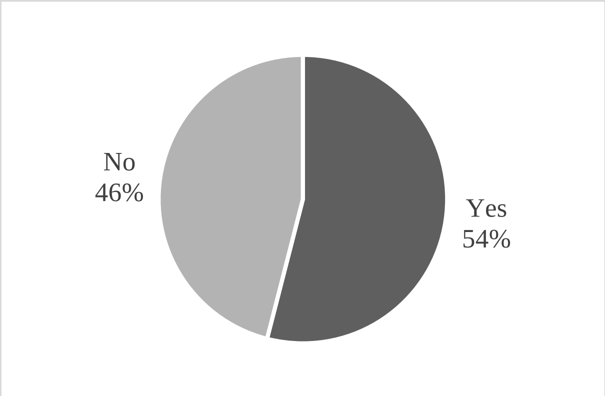
Governing Council/Board of Directors	3.7
Senior Management	3.7
Middle Management	3.1
Workforce	2.9

Source: Own elaboration

When respondents were asked to make an overall assessment, 54% reported having achieved the level of ethical commitment they were aiming for in their organizations. This implies that 46% of them are still dissatisfied and consider that further measures must be taken to shape the conduct of employees in their organizations (see Chart 2.8).

Chart 2.8

Considering the actions that have been undertaken so far, do you believe the desired level of ethical commitment has been achieved in your organization?



Source: Own elaboration

Analysis of the ethical commitment

As we have just reported, just 54% of the surveyed companies have achieved the desired level of ethical commitment, considering the actions they have been undertaken so far. We decided to analyze this further looking for some characteristics of the organizations that may explain this sense of achievement.

In order to assess what may be related to this sense of achievement of the ethical commitment desired the following probit model was specified:

$$EC_i = \beta_0 + \beta_1 USA_i + \beta_2 budget_i + \gamma' sector_i + u_i,$$

where the dependent variable measures the perception of achievement of the ethical commitment desired (EC_i), and the explanatory variables include companies with origin in the United States of America (USA_i), the existence of a budget specific to developing and implementing ethical practices ($budget_i$), and a set of variables indicating the economic sector ($sector_i$).

We also tested with companies whose origin was Europe or just foreign companies to assess if they had an impact on the sense of achievement, but it proved not to be statistically significant.

Table 2.13

Probit model

Variable	**Coefficient**
Origin USA	0.97** (2.41)
Budget	0.71** (2.38)
Sector	
Retail	0.28 (0.64)
Transportation services and warehousing	-0.78 (-1.10)
Information, media, and telecommunications	0.08 (0.10)
Financial services and insurance	-0.17 (-0.47)
Food service and accommodation	-0.51 (-0-64)
Health care	-1.02 (-1.47)
Other services	1.36** (2.15)
Constant	-0.43 (-1.51)
Pseudo R^2	0.18

Dependent variable: Considering the actions that have been undertaken so far, do you believe the desired level of ethical commitment has been achieved in your organization? (Yes =1, No=0)

Probit coefficients are reported and test statistics z are shown inside the parenthesis

*, ** and *** indicate statistically significant at the 10, 5 and 1% levels, respectively.

The model results indicate a higher probability of having a sense of achievement of the ethical commitment desired if the company is from the United States of America, there is a budget devoted to ethical practices, and the sector is “other services”. These results are discussed in the next section.

Discussion

The survey answers indicate that there is a significant concern about business ethics in organizations, as they suggest that ethics often helps them in decision-making (Chart 2.4). Ethical dilemmas arise more frequently in the Sales, Procurement, and Operations departments (Chart 2.5). It seems only logical that the constant interaction the Sales and Procurement departments have with other stakeholders will lead to ethical problems more frequently.

Furthermore, the greatest concern is associated with conduct at the operational levels of the organization, as there seems to be greater confidence in employees as the level of management responsibility increases in the organization (Chart 2.6). Yet ethical misconduct among those with greater responsibility is most likely to do the most harm to organizations and to society.

As reported before, only 43% of respondents reported having a corporate governance code (Chart 2.7). This may be due to the perception that, as mentioned in the previous section, the board of directors typically takes ethical conduct into consideration when implementing any action, and so a corporate governance code may be considered unnecessary.

One interesting finding is that the primary reason for companies to adopt ethical practices is corporate reputation (Table 2.7). Major corporate ethics scandals like Enron and WorldCom have given companies a good reason to adopt practices aimed at reducing the probability of becoming the next cases of ruined reputations due to ethical misconduct.

The personal values of owners and managers ranked second, which suggests that adopting a values-based approach to ethics programs — mentioned in the introduction — plays a significant role in the motivation for implementing ethical practices. In line with this, other studies have shown the importance leadership's commitment to ethics as a key influence on the adoption of ethics and compliance initiatives (Weaver, 2014).

Compliance with the law and the need to prevent fines or sanctions are also significant factors when considering the adoption of ethical practices. This suggests that Paine's compliance-based approach is also significantly prevalent in Mexican organizations (Paine, 1994). Lastly, a positive finding is that the personal development of employees is also an important reason for adopting ethical practices. This kind of motivation is consistent with the definition of business ethics cited in the introduction: "a guide for human excellence in business organizations" (Melé, 2019).

In line with Weaver's proposal (2014), the ethics programs implemented by companies in Mexico are based on both compliance-based and values-based approaches, combining them to achieve better results.

The monitoring component is important to ensure effectiveness in implementing ethical practices, as it shows employees that the focus on ethics constitutes a genuine commitment by the top management (Treviño, et al. 1999). In this sense, a positive finding is that 86% of respondents are taking measures to monitor and encourage compliance with ethics inside organizations.

When the respondents were asked if they believed they had achieved the level of ethical commitment desired, 54% of the responses were affirmative. The probit model presented in the previous section suggests that organizations are more likely to have this sense of achievement if the organization is from the United States of America, if it has a budget specific to designing and implementing ethics programs and if it operates in the “other services” sector.

It is no surprise that companies with a budget devoted to ethics programs have a higher sense of achievement that companies without it. Nevertheless, it is more difficult to explain why American companies are more satisfied whit their ethical commitment. More research is needed to understand this relationship, but it may be related to an ethics regulatory environment that is, arguably, more stringent in USA than in Mexico. This regulation has been hardened in the last few decades (see, for example, Hess, et al. 2006). The practices implemented in these companies in Mexico might be mirroring what those same companies are doing in the harsher regulatory environment of USA.

It is even more difficult to try to disentangle the relationship between the sense of achievement of some companies and being in the “other services” sector because of the varied nature of the latter. In that sector, most companies are holdings or companies with many different business units, which complicates drawing any conclusions.

Even though 46% of respondents are still dissatisfied regarding the ethical commitment they were aiming for in their organizations (Chart 2.8), such dissatisfaction may be good, as it may encourage Mexican companies to continue undertaking efforts to find innovative ways of having a positive impact on ethics for their own good and for the Mexican society.

Respondents who reported not being satisfied with the ethical commitment achieved in their organizations were asked why. Answers were varied, but they may be categorized into three groups. First, some referred to a healthy and well-founded need for continuous improvement when it comes to ethics. For instance: "it is a continuous and permanent process requiring training, communication, and validation," "it is an ongoing task, it never ends, especially in a company whose workforce is the size of ours, which is over 7,000," and "our aim is to integrate ethical commitment as a factor that is inherent in people when performing daily."

Second, many answers referred to an unfulfilled task or poor performance in some way. Representative answers include: "we are still working on ‘trickling’ the culture down to all levels of the organization," "we need to strengthen a compliance culture at the middle and lower management levels of the organization, especially by promoting a culture of non-retaliation against whistleblowers," and "we still have cases of ethical misconduct." Overall, these answers suggest dissatisfaction, either because there are still some cases of unethical conduct or because the ethics culture has not been promoted enough at different levels of the organization or more profoundly in it.

Finally, some comments reported a lack of consistency between the ethical practices adopted and other interests within the organization. Only three answers expressed such a concern, but they are symptomatic of a serious problem for some organizations where ethical considerations are neglected or overridden by other business priorities. The answers are the following: "the board of directors and the leaders of the company are only seeking to present positive economic results to increase the value of its shares; "lately, attention has shifted towards results over anything else and at any cost, which often runs counter to the ethics talk"; and "we need to see more walking the talk, removing the temptations of business deals that are profitable but ethically questionable to some extent."

Conclusions

The primary aim of this study is to assess the current ethical practices of large companies in Mexico. For this purpose, we analyzed the answers collected from 107 large organizations to a questionnaire that was administered to the CEOs or compliance and ethics managers in these organizations. The most significant findings emerging from the study may be grouped into 3 categories: the role of ethics in these organizations, the implementation of ethical practices, and the outcomes achieved.

Looking at the role of ethics in these Mexican companies, 83% of respondents reported that ethics has often helped them in decision-making, and 82% reported that ethics constitutes a significant factor in formulating objectives and production goals in their management functions. In addition, the sales, procurement, and operations departments reportedly pose ethical problems with greater frequency. Notably, respondents also reported that ethical aspects are strongly considered in decision-making by the board of directors and management teams, but this is less common among middle managers and employees. This suggests that the matter of greatest concern regarding ethics is conduct at the lower levels of hierarchy in the organization, although the impact of a lack of ethics is bigger at the higher levels.

One consideration about the implementation of ethical practices is that their design and definition is done by the highest operational levels of the organization — the CEO and the senior management team — while the monitoring function is more often performed by the human resources department, the ethics committee, or the internal audit department. Interestingly, some respondents reported that monitoring ethics in the organization is a responsibility of all employees.

The most common ethical practices in these companies were codes of ethics and mission and vision statements, with 98% and 92%, respectively. The following practices were reported by 61 – 69% of companies: formal mechanisms for, for example, conflict resolution or speak up policies, compliance policies, ethics committees or equivalent bodies, and ethics managers. Finally, notably few companies in Mexico (41%) have ethics training programs.

The three major reasons for developing an ethics policy in Mexican organizations are reputation, the personal values of the owners or managers, and criminal liability. A fourth reason relates to the personal development of employees, followed by international regulations. Overall, motivations are highly varied, ranging from the practical approach to business associated with reputation to more lofty objectives related with ethics, such as human development. Interestingly, 42% of respondents reported that in their companies no budget has been allocated for managing and developing ethical practices.

Looking at the results achieved by these organizations, 54% reported they have achieved the level of commitment they were aiming for, while 46% reported not being satisfied. This may provide an incentive to continue experimenting and finding better mechanisms to improve ethical commitment in organizations. The impact of ethical practices has been observed across various areas in organizations. Respondents reported improvements in reputation, increased focus on values, and compliance with regulations.

The existence of formal ethical practices in organizations is key to improving ethical performance, but, as mentioned in the introduction, informal elements are important as well. Indeed, the perception that a program is oriented towards ethical aspirations and values is often more important (Treviño et al., 1999). Nonetheless, formal and informal ethics programs are complementary, and there is evidence proving the effectiveness of formal components, including the effectiveness that is positively associated with the number of components adopted (Kaptein, 2015).

In addition to the adoption of ethical practices, other elements must be considered in order to achieve greater impact on ethics in organizations.

The first element to consider is the approach adopted in ethics programs, which may be values-oriented or compliance-oriented. It is desirable to strike a balance between the two approaches, as they can strengthen each other. This is because the values-based approach provides consistency to the compliance-based approach, and the compliance-based approach reinforces the message of the values-based approach. Compliance with regulations without a values-based groundwork is perceived by employees as empty, meaningless, and seeking only to protect the top management or shareholders from potential fines or sanctions. That is why values give meaning and consistency to compliance with regulations. Conversely, ensuring compliance with regulations, following up on the implementation of compliance practices, and punishing unethical conduct may similarly be perceived as consistent with the values of the organization. If an organization promotes certain values but imposes no punishment for misconduct, the strength of the message is undermined (Weaver, 2014; Weaver and Trevino, 1999).

It is also important to consider the risk associated with seeking to achieve compliance in an environment that is devoid of values, as the way messages are interpreted may change the conceptual frameworks held by employees in organizations. A study found that people may do the right thing in a given situation as a result of their own ethical commitment; however, when sanctions are imposed for not doing the right thing, the conceptual framework may change, and people may stop reflecting on what is ethical or not in each situation, analyzing situations based on self-interest and caring only about whether they will be sanctioned (Tenbrunsel and Messick, 1999).

The second element to consider is the importance of ethical commitment by leaders in implementing and monitoring ethics programs in organizations (Weaver, 2014). Ethical leaders display the following characteristics: they are trustworthy, fair, sensible in decision-making, set an ethical example in the workplace, lead their personal lives ethically, listen to employees, take disciplinary measures for those who violate ethical rules, take employees' well-being into consideration, engage in ethical discussions with employees, openly include ethical considerations in decision-making, and measure success not only based on results but also on the means to achieve results (Brown et al., 2005). It is important to keep in mind that ethical leaders are not only defined by moral interest or belief, but also by their conduct in various contexts and certain behaviors they may display, including discussing ethics with employees and talking openly about ethics.

Overall, large companies in Mexico have implemented a set of formal ethical practices with a dual purpose of ensuring compliance with regulations and shaping organizations that aspire to embody lofty moral values. Virtually all the surveyed companies have a code of ethics in place and a mission and vision statement to guide and inspire employees to preserve certain values. Furthermore, most of them have conflict resolution mechanisms, compliance policies, ethics committees, and ethics managers in place.

The extent of implementation of these practices shows that large companies in Mexico are committed to ethics. Nonetheless, improving ethics in organizations is an unending task requiring sustained efforts, as was shown by the fact that 45% of respondents reported not having achieved the desired level of ethical commitment. This study shows that many companies seem to be on the right track.

Finally, although it is relevant to remind ourselves of the importance of ethical practices, they must be accompanied by ethical leadership and genuine commitment with moral values at the highest levels of organizations. That will make it easier to achieve the organizational goal of promoting human excellence among employees and other stakeholders, contributing to the development of society.

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Appendix 2.1 Survey questionnaire

Q1. Over the past year, have you had to make decisions in which ethics played an important role?

Often

Sometimes

Rarely

Never

Q2. Have you "feel good" ethically with the decisions you have made?

Often

Sometimes

Rarely

Never

Q3. If there are formal ethical practices in your company, have they been helpful to make decisions?

Often

Sometimes

Rarely

Never

Q4. If they don't exist, do you think having them would have helped to make decisions?

Often

Sometimes

Rarely

Never

Q5. What departments in your organization face ethical problems more often?

Accounting and Finance

Human Resources

Procurement

Sales

Operations

Other

Q6. Do you think Ethics is a relevant factor in the formulation of objectives and productive goals in your company?

Often

Sometimes

Rarely

Never

Q7. To what extent do people across the various levels of your organization take ethical criteria into account when acting? Scale: 4 (Often) to 1 (Rarely)

Governing council/Board of directors

Senior Management

Middle Management

Employees

Q8. Indicate what practices are implemented in your organization

Code of ethics or conduct

Mission/Vision statement

Conflict resolution mechanisms/Speak up policies

Compliance policies

Ethics Committee or similar body

Ethics Manager or Ethics Department

Corporate Governance code

Ethics training program

Business Credo

Other

Q9. Please, indicate the level of participation that the various managers and departments have in your organization have had in defining and designing ethical practices. Scale: 1 (No Participation) to 4 (Close Participation)

President/CEO

Senior Management

Human Resources Department

Governing Council/Board of Directors

Legal Department

CSR/Corporate Reputation Department

Internal Audit Department

PR/Corporate Communications Department

External Advisors

Other

Q10. Who is directly responsible for monitoring ethical practices in your organization?

CEO/President

Human Resources Department

Ethics Committee

Internal Audit Department

Chief Ethics Officer

CSR/Corporate Reputation Department

Legal Department

Other (specify)

Q11. Please, indicate, on a scale from 1 (not important) to 4 (very important), to what extent the following reasons have motivated your company to develop a corporate ethics policy.

Reputation

Personal values of owners or senior managers

Criminal liability by the company

Personal development of employees

International regulations

Legal requirements

Facilitating autonomous and quick decisions

Requirements by parent company

Bad experiences

Requirements by financing institutions

Participation in business or professional associations

Requirements by strategic partners

Other reasons

Q12. What is the range of the annual budget that your company allocates to managing and developing ethical practices? (US dollars)

More than US$100,000

US$50,000 – US$100,000

Less than US$50,000

There is no budget specifically allocated to ethical practices

Q13. Please, on a scale from 1 (null) to 4 (strong), indicate the level of impact achieved by the ethical practices implemented in your organization.

The company's reputation has improved

The organization has become more values-oriented

Compliance with legal regulations has improved

Sensitive situations or conflicts of interest have decreased

They have helped us to better control relationships with suppliers

They have helped us to better control our value chain

Working climate and employee motivation have improved

Product quality or service delivery have improved

Opportunities have opened up with financing institutions

Opportunities have opened up to establish strategic partnerships

Business has increased

Other

Q14. In your opinion, are the values that support the ethical practices consistent with the day-to-day experience in your organization?

Yes

No

Q15. Are some actions undertaken to monitor and promote compliance with the rules and values associated with the company’s ethical practices?

Yes

No

Q16. What actions are undertaken to monitor and promote compliance with the rules and values associated with the company’s ethical practices?

Internal audits

Training

Performance assessment

Surveys

Q17. Are there plans to undertake actions to monitor and promote compliance with the rules and values associated with the company’s ethical practices?

Yes

No

Q18. To what extent have the various organizational levels fulfilled the ethical commitment promoted through the ethical practices? Scale: 1 (very low) to 4 (very high)

Governing Council/Board of Directors

Senior Management

Middle Management

Workforce

Q19. Considering the actions that have been undertaken so far, do you believe the desired level of ethical commitment has been achieved in your organization?

Yes

No

Q20. If there are not ethical practices in your organization, why haven´t they been implemented? Please evaluate how important the factors below are in a scale from 1 (low importance) to 4 (high importance)

The senior management team is not concerned about ethical issues.

There aren't delicate issues suggesting the necessity to do something

We are not concerned about it. Ethics and business are not related

We already have enough moral compromise. Our managers and employees behave ethically

To behave ethically in our company's environment may be penalized

We have more pressing issues to attend

We are concerned about it, but we don't know how to work on it.

Other

Q21. If you had to implement some ethical practices in the short run, what would they be? Scale 1 (high importance) to 6 (low importance)

Code of ethics or conduct

Mission/Vision statement

Conflict resolution mechanisms/Speak up policies

Compliance policies

Ethics Committee or similar body

Ethics Manager or Ethics Department

Corporate Governance code

Ethics training program

Business Credo

Ethics issues included in performance evaluations

Nothing else is needed

Other

Q22. If you want to make a comment about the specific situation of your company or you have any comment related to this survey, please use the space provided below.

Q23. Sector of your company

Agriculture, Livestock, and Fisheries

Mining, Oil and Gas

Construction

Food and Beverage, and Tobacco

Wood, Paper and Cellulose

Chemicals and Petrochemicals

Motor Vehicles and parts

Electronics

Metals

Concrete, Ceramics, and Glass

Other Manufacturing Industries

Retail

Transportation services and Warehousing

Information, Media, and Telecommunications

Financial services and Insurance

Food services and Accommodations

Health care

Professional services

Other Services

Q24. Gross Income

Q25. Number of employees

Q26. Type of company (you can choose more than one option)

Family-owned

Not family-owned

National corporation

Multinational corporation

Branch of a multinational corporation

Public company

Country of origin (specify)

Q27. Please indicate your position in the company

Chapter 3. How to Effectively Communicate your Code of Ethics. An Empirical Study using a Cluster Randomized Control Trial Experiment.

Introduction

Corporate ethical scandals have prompted companies to invest an increasing amount of resources in different ethics programs, ranging from ethics codes (Cowton and Thompson, 2000) and the appointment of an ethics committee, to the use of hotlines for advice and whistleblowing (Hess et al., 2006). Besides, the ethics regulation for organizations is soaring and it imposes a costly burden on the corporate world. According to Chen and Soltes: “The average multinational spends several million dollars a year on compliance, while in highly regulated industries like financial services and defense, the costs can be in the tens or even hundreds of millions” (2018, p. 118). Langevoort introduces a note of caution about compliance systems when he says that “monitoring-based systems have unexpectedly serious (and probably immeasurable) costs, which society should not impose without strong reason” (2002, p. 117).

Unfortunately, ethical scandals appear to be ubiquitous and internal fraud and wrongdoing is still a big problem for corporations. It seems like most of these efforts to improve ethical behavior within companies have been futile. On one hand, there is little evidence to support the “assumption that internal compliance structures reduce the incidence of prohibited conduct within organizations”, and, on the other hand, the legal treatment of companies without compliance structures “has caused a proliferation of costly - but potentially ineffective - internal compliance structures” (Krawiec, 2003, pp. 491–492).

The persistence of these problems indicates that organizations do not know what programs are effective in reducing unethical behavior. In order to improve ethical conduct in organizations, it is necessary to measure the effectiveness of business ethics programs, because “better measurement can help managers identify redundant or ineffective initiatives that can be replaced or eliminated - and ultimately reveal opportunities to make programs more effective” (Chen and Soltes, 2018, p. 125).

The efforts undertaken to date to measure effectiveness have found inconclusive results and in the area of business codes, many studies have come to different conclusions.

According to a revision of 79 empirical studies performed by Kaptein and Schwartz, they state: “35% of the studies have found that codes are effective, 16% have found that the relationship is weak, 33% have found that there is no significant relationship, and 14% have presented mixed results. Only one study has found that business codes could be counterproductive” (2007, p. 113).

In the same article, the authors suggest that these mixed findings stem from differences on “how the code itself is defined, how its effectiveness is defined, and what the empirical basis and methodology consist of” (Kaptein and Schwartz, 2007, p. 117).

From a methodological point of view, the analysis of the impact of an ethics program on workers’ ethical behavior using regression techniques has to face the possible endogeneity problems caused by treatment selection bias (Antonakis et al., 2010). In our context, if the selection of workers that are treated (receive information on the company’s ethic code) was somehow determined by their ethical behavior (dependent variable) or other possible variable which could influence that behavior (such as the company’s ethical climate values, for example), the results of the analysis would be inconsistent and biased due to endogeneity problems.

In order to overcome this problem, this paper proposes the use of a Randomized Control Trial (hereafter, RCT) experiment in order to randomly assign employees to the treatment and control groups.

The objective of this paper is to measure the effectiveness of an ethics intervention at a medium-sized financial company in Mexico. To do that, we will describe how an RCT was conducted to test the effectiveness of an ethics program that consisted of emailing employees, and then measuring whether they have a better understanding of the company´s the code of ethics.

The main contribution of the paper to the literature is that it is the first time this methodology is used to evaluate the effectiveness of ethics programs in organizations. Although randomized experiments have a long tradition in other research areas such as medicine or biostatistics (Imbens and Wooldridge, 2009), education (Bloom et al., 2007), or development economics (Banerjee and Duflo, 2009), among others, they have so far not been used in this field.

Two findings of this study are worth mentioning here. First, when evaluating the impact of the communication of the code of ethics we found no effect on its understanding. This shows that many ethics programs might not achieve their desired results, which highlights the importance of conducting an impact evaluation before committing more resources to the ethics programs. Second, we found that employees´ understanding of the code is influenced by different socio-economic or locational variables, such as the job tenure of the employees, their education level or the location of the branch.

It is also important to highlight that the experiment involves 519 workers at a well-known pawnshop chain in Mexico. In a developing economy such as Mexico, where low-income individuals or informal households face barriers that limit their access to the traditional banking system, the relevance of alternative financial systems such as pawnshops is highly significant. In 2016, there were more than 8.000 pawnshops in Mexico compared to just over 13.000 bank branches. Pawnshops in Mexico gave 30 million loans to 13 million people between April 2015 and March 2016, to the value of 44 billion pesos or 2.6 billion dollars[5] (Cotler and Carrillo, 2018, p. 248). To our knowledge, this is the first paper that conducts an RCT experiment to evaluate the effectiveness of an ethics program within a relevant and informal financial sector in Mexico.

The main empirical results suggest that even though the ethical program might not have an impact on workers' understanding of the code, their understanding depends on corporate ethical values, on some workers' socio-economic variables, such as their job tenure or their education levels, and on the location of the branch. Policy implications based on these results would recommend taking into account the impact of these variables and looking for a better design of ethical programs.

This chapter is organized as follows. First, we present a literature review on measuring the effectiveness of ethics programs, addressing specifically the problem of endogeneity in measuring ethics program effectiveness. Second, we explain the methodology used and why it is an improvement on what has been done previously to measure the effectiveness of ethics programs. We then specifically describe the experiment we conducted in the Mexican company. Third, the results of the experiment

[5] The average exchange rate during that period was 16.6189 pesos per dollar. Source: Bank of Mexico.

are discussed. Finally, we present the conclusions and possible avenues for future research.

Literature review on measuring effectiveness of ethics programs

In the first chapter, we conducted a literature review of academic papers whose objective was to measure the effectiveness of the ethics programs in organizations, to determine how these studies dealt with endogeneity. Here, we summarize the main findings of the literature review. We only reviewed papers using a quantitative methodology to analyze data and evaluate whether the program achieved an impact directly related to ethics, such as the ethical intention or the presence of unethical behavior. Therefore, we considered neither those that did not evaluate an ethics program - but some other phenomenon such as the ethical climate- nor those that measured the impact of other features of the organization, such as job satisfaction or profitability. The established criteria led us to select 75 documents.

The interest in measuring the effectiveness of ethics programs increased markedly after 1996 according to the number of papers published on the topic. Most of the articles deal with organizations based in the United States (45 out of 75). We found three articles focused on each of the following two countries: Canada (Malloy and Agarwal, 2003; Schwartz, 2001; Singh, 2011) and Hong Kong (Ho, 2013; Snell et al., 1999; Snell and Herndon, 2000). We also found two studies for Belgium (Constandt et al, 2019; De Waegeneer et al., 2016) and Korea (Ki et al., 2012; Park and Blenkinsopp, 2013). All other countries have just one study each. A closer look reveals that only four papers study the situation in developing countries namely Chile (Majluf and Navarrete, 2011), China (Lin et al., 2018), India (Verma et al., 2016) and South Africa (Kirsten et al., 2017). These papers underpin our particular interest in studying a developing country as one of the stated contributions of this document. Most of the ethics programs (52 out of 75) are concerned with codes of ethics, while 18 assess the combined impact of multiple ethics programs, and 5 study ethics training.

Some papers found a positive effect of the ethical code on ethical or unethical behavior (Adams et al., 2001; Deconinck, 2003; Ferrell and Skinner, 1988; Kaptein, 2011; Ki et al., 2012; Martinson and Ziegenfuss, 2000; McCabe et al., 1996); Corporate Social Responsibility (CSR) rankings (Erwin, 2011); ethical reasoning (Granitz, 2003; Stohs and

Brannick, 1999); theft (Greenberg, 2002); employee attitudes (Ho, 2013); ethical climate (Peterson, 2002); the organization´s ethical values (S. Valentine and Barnett, 2002); tolerance of diversity (S. Valentine and Fleischman, 2002); ethical judgement (Valentine et al., 2019); and on a diverse set of outcomes (Weaver and Trevino, 1999).

Other papers analyzed different ethics programs like ethical training or hotlines and confirmed their impact on whistleblowing (Barnett et al., 1993); ethical or unethical behavior (Delaney and Sockell, 1992; Kaptein, 2015; Warren et al., 2014); bribery (Goel et al., 2015); corruption (Hauser, 2019); perception of unethical behavior (Kirsten et al., 2017); ethical decision making (Sims and Keon, 1999); code effectiveness perception (Singh, 2011); and several different outcomes (Majluf and Navarrete, 2011).

On the contrary, many papers found no evidence of the effectiveness of codes of ethics (Akaah and Riordan, 1989; Brief et al., 1996; Chonko and Hunt, 1985; Constandt et al., 2019; Douglas et al., 2001; Lin et al., 2018; Malloy and Agarwal, 2003; Marnburg, 2000; Nwachukwu and Vitell, 1997; Paolillo and Vitell, 2002; Pelletier and Bligh, 2006; Snell et al., 1999; Somers, 2001; Thaler and Helmig, 2016; Udas et al., 1996), or any other ethics programs (MacLean et al., 2015; McKendall et al., 2002; Park and Blenkinsopp, 2013).

Regarding the methodology used to analyze the data, we found that regression was most commonly used (34 out of 75), including hierarchical regression, probit, logit and other variants of the regression model. It is noteworthy that regression has the capability to deal with the issue of endogeneity using instrumental variables, propensity scores or matching. Yet, none of the articles using regression made any adjustment to deal directly with endogeneity caused by treatment selection bias using an RCT experiment.

Twenty articles used analysis of variance and/or analysis of covariance while the other articles used a variety of methods including t-tests, correlations, structural equations, comparison of means, and discriminant and cluster analysis. These methods may or may not be able to deal with endogeneity, but this depends on the data collected. Nevertheless, it is likely that the assumptions of exogeneity are violated, as we discuss in the next section.

Three papers deserve a special mention because they used an experimental design. First, Thaler and Helmig "randomly assigned participants to one of four experimental scenarios (cells) in a 2 × 2 design, in which the existence of a code of conduct and a direct supervisor who was an ethical leader (i.e. moral person and moral manager) were manipulated" (2016, p. 1374). Second, Fatemi et al. (2018) present a vignette to public accountants and ask for advice after presenting them with two different fragments of a code of ethics for professional accountants. They vary randomly the if they show one or two fragments or none at all (control group) and the order in which the fragments are shown. Third, Stöber, et al. (2019) presented randomly different versions of a code of ethics to managers from a multinational European corporation and then evaluated its impact using vignettes.

The three are interesting studies, but they do not evaluate the results of implementing an ethics program in an organization. While the authors of the papers randomize who is exposed to different scenarios, what we propose is to randomize who is exposed to an ethics program implemented in a company and then assess the results of the program.

Greenberg (2002) also used an experimental setting with three varying conditions even though only one was assigned randomly. He created a setting in which participants would have a justification to steal and an opportunity to do so. The varying conditions were the existence of a code of ethics and the moral development of participants (not random) and telling the participants that the money they may steal comes from the company or from randomly chosen managers. Here, again, exposure to the code of ethics is not randomized.

With the exception of the papers of Thaler and Helmig, Fatemi, et al, and Stöber, et al. mentioned above, none of the articles reviewed addressed directly the issue of endogeneity and we could not find any study using the statistical techniques that Imbens and Wooldridge (2009) propose to deal with endogeneity. This does not necessarily invalidate the results of the papers surveyed; on the contrary, they made important contributions to the literature. Nevertheless, measuring adequately and consistently effectiveness is a considerable methodological improvement.

Based on the literature, we study the impact of the communication of the ethics code on employees´ understanding of the code, using an RCT to avoid the problem of endogeneity. The design of the RCT is discussed in the next section, which is followed by an explanation of the strategy for analyzing the data and the empirical results.

In our literature review, we found two articles emphasizing the importance of the communication of the code of ethics. Kaptein (2011) finds that the communication of the code is more important than the content of the code to determine its effectiveness, and Ho (2013) finds a statistically significant relationship between the methods of communicating the corporate code of ethics and employee attitudes toward the codes.

Based on the literature, we decided to include as a covariate in the analysis the Corporate Ethical Values (CEV) defined as in Hunt et al. (1989). The inclusion of the CEV variable in the regression analysis is based on the idea that corporate ethical values or the ethical culture of an organization influence employees' actions (Hunt et al., 1989; Valentine et al., 2011; Vitell and Hidalgo, 2006).

The importance of corporate ethical values is stated in Vitell and Ramos (2006). They talk about the importance of the organizational environment to ethical decision making and consider corporate ethical values as a component of this organizational environment. The definition of corporate ethical values in Hunt et al. is ''a composite of the individual ethical values of managers and both the formal and informal policies on ethics of the organization'' (1989, p. 79).

Randomized control trials and the design of the experiment

To assess the effectiveness of a program, the researcher should be able to analyze the differences in the response of the employees to that program, and in the absence of the program. However, it is highly probable that other factors could also influence the result, so that an analysis of the differences before and after the implementation of the ethics program could be easily affected by those other factors. In order to solve this problem, in this paper we compare the differences in the responses of the employees that receive the ethics program and of those that do not receive the program and propose to use an RCT experiment to overcome the problem of endogeneity caused by not randomly selecting the treatment group explained previously. As Duflo et al. affirm:

> "Any attempt at drawing a causal inference question (…) requires answering essentially counterfactual questions: How would individuals who participated in a program have fared in the absence of the program? How would those who were not exposed to the program have fared in the presence of the program? The difficulty with these questions is immediate. At a given point in time, an individual is either

exposed to the program or not. Comparing the same individual over time will not, in most cases, give a reliable estimate of the program's impact since other factors that affect outcomes may have changed since the program was introduced (2007, p. 3899)".

The problem lies in finding an adequate counterfactual, which is an estimate of what the outcome would have been for a program participant in the absence of the program (Gertler, et al. 2016). As Pomeranz states: "If an accurate representation of the counterfactual existed, then impact evaluation would be easy" (2017, p. 12). As Khandker et al. emphasize: "Successful impact evaluations hinge on finding a good comparison group" (2010, p. 25). The same authors state that there are two ways of doing this: "(a) create a comparator group through a statistical design, or (b) modify the targeting strategy of the program itself to wipe out differences that would have existed between the treated and non-treated groups before comparing outcomes across the two groups" (p. 25).

It is important to bear in mind that even if a researcher can employ an adequate counterfactual or comparison group, she/he will not be able to find the effect of the program on any given individual or organization. The researcher can, however, "obtain the average impact of a program, policy, or variable (…) on a group of individuals by comparing them to a similar group of individuals who were not exposed to the program" (Duflo et al., 2007, p. 3899).

There is a set of statistical methods that have matured over the years and are now better endowed to deal with the problem of endogeneity. As Imbens and Wooldridge state:

> "Many empirical questions in economics and other social sciences depend on causal effects of programs or policies. In the last two decades, much research has been done on the econometric and statistical analysis of such causal effects. This recent theoretical literature has built on, and combined features of, earlier work in both the statistics and econometrics literatures. It has by now reached a level of maturity that makes it an important tool in many areas of empirical research and suitable for a review (2009, p. 5)".

In this chapter, we use a randomized experiment, which is an appropriate and widely recognized method to address any endogeneity that may arise while studying the effectiveness of ethics programs. Antonakis et al. say that "(t)he failsafe way to generate causal evidence is to use randomized experiments" (2010, p. 1086) and they refer to the randomized field experiments as the gold standard. This term is also used by Athey and Imbens in the opening paragraph of their paper: “The gold standard for drawing inferences about the effect of a policy is a randomized controlled experiment” (2017, p. 3). The same authors also agree when they say that randomized experiments are not more commonly used because they are difficult to implement in practice. Antonakis et al. lament that “randomization is often infeasible in social science settings” (2010, p. 1086), while Athey and Imbens state that “in many cases, experiments remain difficult or impossible to implement, for financial, political, or ethical reasons, or because the population of interest is too small” (2017, p. 3). However, one of the main contributions of this article is to show that it is possible to conduct a randomized experiment in a business setting to assess the effectiveness of a business program.

The idea behind a randomized experiment or randomized control trial (RCT) is that the exposure to the program (also known as the treatment) is random. The random assignment of individuals rules out any systematic difference between the group exposed to the program (the treatment group) and the group that did not receive the program (the control or comparison group) (Pomeranz, 2017). Once we have a valid comparison group any difference in the results of both groups can be attributed to the program implemented. In other words, the difference in results between the treatment and control group represents the impact of the program and is referred to as the difference-in-differences. Nevertheless, as mentioned before, the implementation might be difficult.

We carried out an experiment in a medium-sized Mexican company to assess the effectiveness of an ethics intervention. The company functions as a pawnshop that offers loans while holding collateral like jewelry, for example. If the loan is not paid back the item is sold. The company is a nonprofit organization with the purpose of offering loans at an interest rate lower than profit-based financial institutions. It has 206 branches in 9 different states in Mexico and in Mexico City, and approximately 1,000 employees.

The program we evaluated was the communication of 7 values contained in the ethics code of the company through emails. The company has a code of ethics that every new employee must read. After reading the document, they must sign a letter in which they agree to abide by the code. The experiment was designed to evaluate if communicating the values contained in the code had an impact on the employees´ understanding of the code.

The company´s code of ethics is called “Values. Document of Institutional Culture” and is divided into two main parts. The first reviews the institutional philosophy through its mission, vision, principles and values, while the second part is the code of conduct that contains eight main points namely: conciliation of interests; use and protection of information; integrity; respect for people and their dignity; selection and relationship with suppliers; responsible use of resources and services; safety and work climate; and, the Board of Integrity and Good Practices.

The ethics program evaluated consisted of sending an email fortnightly to every employee in the treatment group (we explain how the groups were formed below). The email included an explanation of the nature of a value included in the ethics code along with an example of how that value might be applied in practice. A total of 7 emails were sent as part of the experiment. The content of all emails can be seen in Appendix 1.

The first step in the experiment design was to decide the level of randomization. It is possible to randomize at the individual level, which would amount to randomizing employees. Alternatively, randomization can be at a group level, which in this case it would mean the company´s branches. We decided to randomize at the branch level mainly because we were worried about possible spillovers in the treatment process.

Spillovers are indirect effects of the program on subjects that do not belong to the treatment group. This could happen if randomization was at employee level and an employee who received the program email discusses its contents with an employee who did not. Then the employee might learn about the values contained in the email and receive an indirect effect of the program evaluated. If there are spillovers the results of the randomized experiment might be biased. As Glennerster and Takavarasha recognize:

> “The formal requirement for a randomized evaluation to be valid is that the outcome of one person does not depend on the group to which other people around that person are allocated. This assumption does not hold when we have spillovers” (2013, p. 113).

Therefore, we conducted a cluster randomized trial where the clusters are the company’s branches. The experiment by clusters significantly mitigates the risk of having indirect effects since the employees of the company have contact with others mainly within each branch, while communication between employees of different branches is uncommon.

The next step was to define which branches will be in the treatment and control groups, respectively. The random allocation of units (branches) between the control and treatment groups was done through the random function of the Stata statistical software program. This function is based on a seed number from which the random number sequence is generated[6]. To make the randomization process more transparent, we use the number corresponding to the winning number of the National Lottery of Mexico in the draw prior to the start of the experiment as the seed number. The number was 51609 and corresponded to the prize of the draw with date August 23, 2016.

All of the company's branches were randomized and all employees working in treatment branches were treated. This determined the sample size of 206 clusters (103 treatment and 103 control) and 519 employees (253 treatment and 266 control). For the allocation of branches to the treatment and control groups, the branches were arranged in alphabetical order, after which each branch was assigned the random number generated by Stata and based on the seed number 51609. The next step was to order branches based on this number from lowest to highest. Finally, the first half of this list (103 branches) was assigned to the treatment group and the second half (another 103 branches) to the control group. A comparison of socio-economic and location variables between treatment and control groups is displayed in table 3.1.

[6] This procedure has the advantage of being replicable. A certain seed number will generate the same sequence of random numbers.

Table 3.1

Comparison of socio-economic variables between treatment and control groups

Variable	Description	Mean		Std. dev.		Min.		Max.	
		Treatment	Control	Treatment	Control	Treatment	Control	Treatment	Control
Gender	Dummy variable (1=male; 0=female)	0.49	0.52	0.5	0.5	0	0	1	1
Age	Years of age	36.2	35.9	6.6	6.8	23	22	58	58
Job tenure	Number of years working in the company	6.5	6.6	4	4.3	0	0	25	28
Marital status	Single	0.26	0.29	0.44	0.46	0	0	1	1
	Married	0.5	0.44	0.5	0.5	0	0	1	1
	Consensual union	0.13	0.2	0.34	0.4	0	0	1	1
	Divorced	0.11	0.07	0.31	0.25	0	0	1	1
Education	High school	0.28	0.33	0.45	0.47	0	0	1	1
	University (not completed)	0.28	0.28	0.45	0.45	0	0	1	1
	University degree	0.43	0.38	0.5	0.49	0	0	1	1
Location	City of Mexico	0.34	0.31	0.48	0.46	0	0	1	1
	State of Mexico	0.35	0.4	0.48	0.49	0	0	1	1
	Other locations	0.3	0.29	0.56	0.45	0	0	1	1

In order to measure the effect of the program, we used a set of 7 vignettes developed by the Human Resources department of the company with the help of an external consultant. Each vignette was designed to measure the practical understanding of each of the 7 values that were sent via emails to the employees. Each vignette has three different courses of action from which the employee must choose. This design stems from the company´s concern that employees might not understand how to use the code of ethics even if they read it. The assumption is that if the employees really understand the ethics code, they will be able to select the course of action in each vignette that is consistent with the values that the specific code relates to. We decided to use a measure developed by the company itself because it is meaningful and useful for the organization itself. Appendix 3.2 contains the vignettes we used.

We sent the vignettes to all company employees across both the control (those who did not receive emails about ethics) and treatment (those who received emails about ethics) branches, and we analyzed the significance of the intervention variable on the responses to these vignettes, after controlling for socio-economic variables of the employees and the corporate ethical values and location of the branches where they work, in order to evaluate the impact of the implemented ethics program.

The impact we are measuring is the Intention to Treat (ITT), which in this case, is the average effect of sending the email to the employees and not the effect of having the employees reading it. This is because it is not feasible for the researchers to verify that the employees read the emails carefully.

We also included other control variables such as demographic data including gender, age, job tenure, education level, marital status and location of the branch and an ethical climate survey to assess if these variables could also have an impact on employees' understanding of the code. The ethical climate survey was adapted from the work of Hunt et al. (1989).

Another known risk in experimental designs is attrition. It happens when the researcher cannot collect data on the outcomes of the experiment because she/he is not able to reach some of the individuals in the control or treatment groups. In particular, attrition is of concern when it occurs at different rates in the treatment and comparison groups (Glennerster and Takavarasha, 2013).

In order to limit attrition, we sent reminders to employees to complete the survey as did the Human Resources department periodically. Consequently, 95% of employees answered the survey and of those who did not, the majority (60%) was employees who left the company during the experiment. It is important to note that we had at least one response from every single branch in the company and the results are not compromised by attrition.

The experiment was registered, before the intervention started, in the American Economic Association's registry for randomized control trials.

Data Analysis and Empirical Results

The use of an RCT to generate the data for analysis enable us to assess the impact of the communication of the code on its understanding by directly comparing the means of the variable measuring code´s understanding in the control and treatment groups. Nevertheless, we decided to analyze the data using a regression framework to include a small set of covariates because they can also have an impact on the understanding of the code. It is not necessary to include them, but they might reduce unexplained variance (Glennerster and Takavarasha, 2013, p. 330) if they have a significant impact on our dependent variable.

We specified the following regression model:

$$CU_i = \beta_0 + \beta_1 CEV_i + \beta_2 EP_i + \gamma' SocioEc_i + \delta' Locat_i + u_i \,,$$

where the dependent variable measures the employees´ understanding of the code (CU_i), and the explanatory variables include the Corporate Ethical Values (CEV_i), the Ethics Program (EP_i), a set of Socio-Economic ($SocioEc_i$) variables and the Location ($Locat_i$) of the branch where the employee is based.

The coefficient β_2 will measure the impact of this ethics program on workers' understanding of the code. It is important to note that the regression is estimated mainly to assess the magnitude of this coefficient. As stated before, the inclusion of other variables serves the purpose of reducing unexplained variance. In doing this, we are following the current practice of econometrics. As Angrist and Pischke state "much of the contemporary empirical agenda […] targets the causal effects of a single factor" (2017, p. 125). In the same paper they add that "in the modern paradigm, regressors are not all created equal. Rather only one variable at a time is seen as having causal effects. All others are controls included in service of this focused causal agenda" (p. 129).

This means that we are not estimating a model that fully explains the understanding of the code, rather we are only interested on measuring the influence of the communication of the code on its understanding in a reliable way.

Table 3.2 shows the definition and basic statistics of the variables used in the empirical analysis. As shown in the table, the sample consists of 519 workers, of which half are women, and whose average age is 36 and who have been with the company for an average of 6.6 years. Forty one percent of the workers have university studies, and most of them are married. Regarding the location of the branch, 33% of the workers work in the State of Mexico, 38% in Mexico City and 30% in other cities. CU is measured using seven different variables (see panel A in Table 3.2), and the variable CEV is measured using 5 different variables (see panel B in Table 3.2), as defined in Hunt et al. (1989).

Table 3.2

Variable description and basic statistics

Panel A. Code´s Understanding

Variable	Description	Mean	Std. dev.	Min.	Max.
(1)	Keep your “ethical condition” fit	0.93	0.25	0	1
(2)	Avoiding conflict of interests: if you doubt, please ask	0.98	0.14	0	1
(3)	Do more to create an environment of liberty and respect	0.88	0.33	0	1
(4)	Friendship leads you to behave in a proper way	0.99	0.1	0	1
(5)	When an affair takes place, report it to make better decisions	0.93	0.26	0	1
(6)	Protect your passwords: your identity is your responsibility	0.95	0.22	0	1
(7)	Enhance your history	0.75	0.43	0	1

Panel B. Corporate Ethical Values

Variable	Description	Mean	Std. dev.	Min.	Max.
(1)	Managers in my company often engage in behaviours that I consider to be unethical (Reverse coded)	4.81	1.95	1	7
(2)	In order to succeed in my company, it is often necessary to compromise one’s ethics (Reverse coded)	6.62	1.04	1	7
(3)	Top management in my company has let it be known in no uncertain terms that unethical behaviours will not be tolerated	6.28	1.5	1	7

(4)	If a manager in my company is discovered to have engaged in unethical behaviour that results primarily in personal gain (rather than corporate gain), he or she will be promptly reprimanded	6.28	1.44	1	7
(5)	If a manager in my company is discovered to have engaged in unethical behaviour that results primarily in corporate gain (rather than personal gain), he or she will be promptly reprimanded	6.11	1.48	1	7

Panel C. Dependent variable, socio-economic and location variables

Variable	Description	Mean	Std.	Min.	Max.
	Ethics Program				
Ethics Program	Dummy variable (1=yes; 0=no)	0.49	0.5	0	1
	Socio-economic variables				
Gender	Dummy variable (1=male; 0=female)	0.5	0.5	0	1
Age	Years of age	36	6.71	22	58
Job tenure	Number of years working in the	6.57	4.13	0	28
Marital	Single	0.28	0.45	0	1
	Married	0.47	0.5	0	1
	Consensual union	0.17	0.37	0	1
	Divorced	0.09	0.28	0	1
Education	High school	0.31	0.46	0	1
	University (not completed)	0.28	0.45	0	1
	University degree	0.41	0.49	0	1
	Location				
Location	City of Mexico	0.33	0.47	0	1
	State of Mexico	0.38	0.49	0	1
	Other locations	0.3	0.46	0	1

Table 3.3 reports the correlation coefficients of the variables used in the empirical analysis. The two shaded areas represent the correlation coefficients among the 7 variables defined to measure the understanding of the code, as well as the correlation coefficients among the 5 variables defined to measure the CEV. The statistical significance of many of these coefficients indicates the high correlation among these variables, which prompted us to do a factor analysis to measure both the CU and CEV variables.

Table 3.3

Correlation coefficients

	CU1	CU2	CU3	CU4	CC5	CU6	CU7	CEV1	CEV2	CEV3	CEV4	CEV5	EP	Tenure	Gender	Age	Single	Univ
CU1																		
CU2	**0.13*** **																	
CU3	0.04	**0.16*** **																
CU4	0.05	**0.13*** **	0.02															
CU5	**0.13*** **	0.07	**0.10** **	0.05														
CU6	**0.12*** **	0.03	**0.08* **	0.07	**0.24*** **													
CU7	**0.16*** **	0.02	-0.01	0.04	**0.23*** **	**0.20*** **												
CEV1	**0.09** **	**0.09** **	**0.16*** **	0.01	**0.11** **	**0.08* **	**0.12*** **											
CEV2	**0.23*** **	**0.09** **	0.06	0.04	**0.15*** **	**0.17*** **	**0.13*** **	**0.27*** **										
CEV3	**0.11** **	-0.01	0.07	0.07	**0.09** **	**0.16*** **	**0.13*** **	**0.09** **	**0.22*** **									
CEV4	**0.13*** **	0.03	**0.12*** **	0.05	**0.08* **	**0.11** **	**0.12*** **	**0.16*** **	**0.28*** **	**0.67*** **								
CEV5	**0.10** **	0.02	**0.08* **	0.06	**0.13** **	**0.16*** **	**0.10** **	**0.16*** **	**0.26*** **	**0.60*** **	**0.83*** **							
EP	**0.10** **	0.05	0.01	-0.02	-0.07	-0.04	0.04	0	-0.02	-0.02	0.04	0.03						
Tenure	0.02	**0.09** **	-0.02	**0.09* **	**0.07* **	0	0.04	0.02	-0.02	0	-0.01	0.01	-0					
Gender	0.03	0	-0.01	-0.06	0.03	0.02	0.02	0.09**	0	0.04	0	0	-0	**0.13*** **				
Age	0.05	-0.01	-0.04	**0.07* **	-0.05	-0.02	-0.01	-0.02	-0.05	-0.02	-0.02	0	0.02	**0.51*** **	**0.14*** **			
Single	-0.01	0.02	-0.06	-0.07	**-0.11** **	**0.10** **	-0.05	0.01	0	-0.02	-0.01	-0.01	-0	**-0.12*** **	**-0.22*** **	**-0.18*** **		
Univ	0.01	0.09**	0	0.04	0.05	-0.04	0.04	**0.12*** **	0.02	0.04	-0.03	-0.03	0.05	**0.09** **	**0.13*** **	**0.11** **	-0.05	
Mexico State	0.05	0.01	-0.04	0.03	-0.04	-0.03	-0.04	0.02	0.02	0.01	0.01	0.01	0.04	-0.03	**0.10** **	-0.03	-0.04	**-0.09** **
Mexico City	**-0.08* **	-0.06	-0.04	0	**-0.10** **	**-0.08* **	-0.05	**-0.10** **	-0.03	**-0.08* **	**-0.08* **	**-0.10** **	-0.1	0.02	-0.04	**0.07* **	**0.08* **	**-0.11** **

*, ** and *** indicate significant at the 10, 5 and 1% levels, respectively.

The exploratory factor analysis applied to CU variables suggests the use of one or two principal components or factors. The first two principal components explain 40% of the total variance. As shown in Table 3.4, the first factor is related to CU variables 5, 6, 7 and 1, while the second factor is related to CU variables 2, 3 and 4; a pattern that was also apparent in Table 3.4. Similarly, factor analysis of the CEV variables suggests the use of two factors, which will jointly explain 74% of the total variance. In this case, as shown in Table 3.4, the first factor is related to values 3, 4 and 5, while the second factor indicates correlation with values 1 and 2. In other words, the first factor will mainly measure the values associated with the extent to which employees perceive that ethical behavior is rewarded or punished (Hunt et al., 1989).

Table 3.4

Factor Analysis Results

Factor loadings

Panel A. Code´s Understanding		
	Factor 1	Factor 2
Keep your “ethical condition” fit	0.39	0.05
Avoiding conflict of interests: if you doubt, please ask	0.28	0.63
Do more to create an environment of liberty and respect	0.24	0.48
Friendship leads you to behave in a proper way	0.21	0.35
When an affair takes place, report it to make better decisions	0.5	-0.2
Protect your passwords; your identity is your responsibility	0.47	-0.23
Enhance your history	0.44	-0.39
% of explained variance: 0.40 n=519		

Factor loadings

Panel B. Corporate Ethical Values		
	Factor 1	Factor 2
Managers in my company often engage in behaviours that I consider to be unethical	0.19	0.75
In order to succeed in my company, it is often necessary to compromise one's ethics	0.29	0.57
Top management in my company has let it be known in no uncertain terms that unethical behaviours will not be tolerated	0.5	-0.24
If a manager in my company is discovered to have engaged in unethical behaviour that results primarily in personal gain (rather than corporate gain), he or she will be promptly reprimanded	0.57	-0.17
If a manager in my company is discovered to have engaged in unethical behaviour that results primarily in corporate gain (rather than personal gain), he or she will be promptly reprimanded	0.55	-0.17
% of explained variance: 0.74 n=519		

Tables 3.5, 3.6 and 3.7 contain the Ordinary Least Squares (OLS) coefficients of the parameters of different specifications of equation (1). As CU variables, we use the first and second principal components (Tables 3.5 and 3.6), and each of the seven CU variables (Table 3.7). Results reported in Tables 3.5 and 3.6 suggest that the ethics program does not have significant effect on the measurement of CU for both the first and the second principal components. Furthermore, these results are robust to the inclusion of CEV variables, socio-economic and location variables. This is what we would expect since the data comes from an experiment explicitly designed to measure the effect of the ethics program. The coefficient should be robust to different specifications of the regression equation and this is a good indicator of the reliability of the estimate.

Corporate ethical values (both the first and second principal components) have a significant effect on CU (defined using the first principal component). The number of years that workers have been working in the company has also a positive and significant effect on CU (see Table 3.4), as well as the education level of the employees (see Table 3.5). Finally, regarding the branch location, those employees who work at branches outside Mexico City and the State of Mexico present a better CU than those who work in other areas. The branches located in Mexico City and the State of Mexico are in the Valley of Mexico Metropolitan Area, which is the conurbation around Mexico City where more than 20 million people live, which could suggest that the size of this conurbation negatively might affect the CU of employees working there.

Table 3.5

Regression models

Dependent variable: Code´s Understanding (Factor 1)

	Model 1	**Model 2**	**Model 3**
Ethics Program	0.03 (0.30)	0.02 (0.16)	0.03 (0.24)
Corporate Ethical Values			
Factor 1			0.20*** (6.17)
Factor 2			0.22*** (4.32)
Socio Economic Variables			
Age		-0.01 (-1.25)	-0.01 (-0.99)
Gender		0.05 (0.46)	0.02 (0.18)
Job tenure		0.03** (2.06)	0.03** (2.08)
Marital (single)		-0.12 (-0.54)	-0.18 (-0.83)
Marital (married)		-0.04 (-0.20)	-0.11 (-0.57)
Marital (consensual union)		-0.09 (-0.37)	-0.09 (-0.38)
Education (prim)		-0.07 (-0.50)	-0.04 (-0.34)
Education (sec)		0.03 (0.22)	0.08 (0.61)
Location			
Mexico DF		-0.38** (-2.7)	-0.35** (-2.5)
Mexico		-0.5***(-3.8)	-0.42***(-3.15)
n	519	519	519
Adj. R2	0	0.02	0.12

Test statistics t are reported inside the parenthesis

*, ** and *** indicate statistically significant at the 10, 5 and 1% levels, respectively.

Table 3.6

Regression models

Dependent variable: Code´s Understanding (Factor 2)

	Model 1	**Model 2**	**Model 3**
Ethics Program	0.08 (0.89)	0.08 (0.88)	0.09 (0.91)
Corporate Ethical Values			
Factor 1			-0.004 (-0.15)
Factor 2			0.06 (1.21)
Socio Economic Variables			
Age		0.001 (0.10)	0.001 (0.10)
Gender		-0.13 (-1.30)	-0.13 (-1.34)
Job tenure		0.01 (0.91)	0.01 (0.91)
Marital (single)		-0.05 (-0.29)	-0.05 (-0.29)
Marital (married)		-0.06 (-0.34)	-0.07 (-0.37)
Marital (consensual union)		0.16 (0.78)	0.15 (0.74)
Education (prim)		0.3759	0.338
Education (sec)		-0.02 (-0.15)	-0.01 (-0.06)
Location			
Mexico DF		0.11 (0.85)	0.10 (0.84)
Mexico		0.07 (0.62)	0.08 (0.63)
n	519	519	519
Adj. R2	0	0.02	0.02

Test statistics t are reported inside the parenthesis

*, ** and *** indicate statistically significant at the 10, 5 and 1% levels, respectively.

Table 3.7 estimates the coefficient in equation (1) using as dependent variables each of the 7 CU variables. As in the previous tables, the results indicate that the ethics program does not have a relevant impact on understanding, since the EP variable is only significant in one of the cases (see Table 3.6, column 1). Furthermore, socio-economic variables (years with the company and education level) appear to have a significant effect on understanding the code, and the location of the branch has a significant effect on CU (see Table 3.7, column 1).

Table 3.7

Regression models

Dependent variables: Code´s Understanding (each of the 7 practices)

	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
Ethics Program	0.05**(2.3)	0.02 (1.33)	0.006 (0.2)	-0.01 (-0.7)	0.068	-0.02 (-0.9)	0.04 (1.0)
Corporate Ethical Values							
Factor 1	0.02***(3.7)	0.003 (0.91)	0.02***(2.6)	0.005*(1.7)	0.02***(3.1)	0.02***(4)	0.04***(3.3)
Factor 2	0.03***(2.9)	0.01**(2.54)	0.03**(2.5)	0.00 (0.02)	0.02**(2.3)	0.02* (1.7)	0.04**(2.0)
Socio Economic Variables							
Age	0.002 (1.25)	-0.001 (-1.0)	-0.001 (-0.5)	0.001 (0.75)	-0.004**(-2)	0.00 (0.01)	-0.002 (-0.7)
Gender	0.01 (0.39)	-0.002 (-0.2)	-0.01 (-0.45)	-0.02**(-2.2)	-0.001 (-0.0)	0.02 (1.3)	0.01 (0.27)
Job tenure	-0.002 (-0.3)	0.004**(2.5)	-0.001 (-0.2)	0.002 (1.3)	0.01**(2.3)	0.001 (0.2)	0.06 (1.12)
Marital (single)	0.01 (0.26)	0.006 (0.25)	-0.06 (-1.1)	-0.02 (-1.1)	-0.06 (-1.3)	0.01 (0.23)	-0.03 (-0.34)
Marital (married)	0.01 (0.28)	-0.02 (-0.69)	-0.02 (-0.34)	-0.005 (-0.3)	0.01 (0.26)	-0.05 (-1.5)	0.01 (0.19)
Marital (consensual union)	-0.01 (-0.18)	0.02 (0.68)	0.004 (0.1)	0.005 (0.3)	-0.01 (-0.2)	-0.06 (-1.6)	0.03 (0.33)
Education (prim)	0.02 (0.61)	-0.03**(-2.1)	0.01 (0.34)	-0.02 (-1.5)	-0.04 (-1.4)	0.03 (1.43)	0.02 (0.40)
Education (sec)	0.00 (0.01)	-0.002(-0.1)	0.02 (0.68)	-0.004 (-0.3)	0.02 (0.8)	0.03 (1.23)	-0.03 (-0.61)
Location							
Mexico DF	0.01(0.22)	-0.007 (-0.4)	0.102	0.01 (1.11)	-0.07**(-2.4)	-0.05**(-2.5)	-0.08 (-1.6)
Mexico	-0.03 (-1.11)	-0.014(-0.93)	-0.04 (-1.17)	0.01 (0.8)	-0.07**(-2.5)	-0.06**(-2.5)	-0.07 (-1.40)
N	519	519	519	519	519	519	519
Adj. R^2	0.04	0.03	0.04	0.03	0.09	0.07	0.05

Dependent variables: (1) keep your "ethical condition" fit; (2) Avoiding conflict of interests: if you doubt, please ask; (3) Do more to create an environment of liberty and respect; (4) Friendship leads you to behave in a proper way; (5) When an affair takes place, report it to make better decisions; (6) Protect your passwords: your identity is your responsibility; (7) Enhance your history.

Test statistics t are reported inside the parenthesis

*, ** and *** indicate statistically significant at the 10, 5 and 1% levels, respectively.

The randomized control trial was designed to evaluate the effect of the communication of the code on its understanding (CU). The effect is not statistically significant, but its magnitude does not change with different model specifications, this robustness is evidence of a well-designed and run experiment.

On the other hand, the branches located outside the Valley of Mexico Metropolitan Area have a better understanding of the code. An important lesson is that job tenure is positively related to the code understanding as well. Companies should try to avoid staff turnover because more experienced employees have a better knowledge of the values promoted by the organization.

Conclusions

This paper describes an example of how a randomized control trial experiment is used to measure the effectiveness of an ethics program to better understand the code of ethics, using a sample of 519 workers at one of the largest pawnshop chains in Mexico. The ethics program at the company consisted of sending 7 different emails to a randomized sample of workers, and then analyzing whether these employees respond differently to vignettes which test their understanding of the code than employees who did not receive the emails. The main contributions of the paper to the literature are the following:

First, from a methodological point of view, we show how to use the RCT methodology to better analyze the impact of an ethics program on understanding a code of ethics. Although many papers have studied the effect of ethics programs on different outcomes (for example, Hauser, 2019; Ho, 2013; Kaptein, 2015; Kirsten et al., 2017; Valentine et al., 2019; Warren et al., 2014), as far as we know, this is the first paper that applies the RCT methodology to understand this impact.

Second, when analyzing the impact of this specific ethic program on our sample of employees, the results indicate that ethics programs might not always have the desired effect, as already suggested in the literature, (see, for example, Constandt et al., 2019; Lin et al., 2018; MacLean et al., 2015; Park and Blenkinsopp, 2013; Pelletier and Bligh, 2006; Thaler and Helmig, 2016). Based on this result, companies should first evaluate the potential effectiveness of an ethics program before investing time and resources into implementing these programs.

Third, the chapter demonstrates that the employees´ understanding of the code is influenced by different socio-economic or locational variables, such as the job tenure of the employees, their education level or the location of the branch. Understanding the nature of these variables could help managers understand possible mechanisms through which they can influence workers’ practical understanding of their company´s code. The results from this paper indicate, for example, that managers could focus their ethics programs on those employees who are least affected by ethics programs namely, new employees and those working in larger cities (Mexico City and the conurbation of the State of Mexico). Furthermore, the results are another example of the already documented result in the literature of the relevance of the Corporate Ethical Values of the corporations on employees' behavior intentions.

As mentioned in the introduction, organizations might be misspending resources on ethics programs with low or no impact at all on the desired outcomes. It remains important to investigate which ethics programs work, which ones do not and why. Studies of the effectiveness of ethics programs can help in this regard even though they have a low external validity and they are not well suited to answer broad questions like: Are ethics codes effective? Is this kind of communication of the code in this sector and this country effective?

Evidently, more research on the effectiveness of ethics programs is needed if we want to better understand how to improve awareness of ethics codes among employees. We need to collect more data on measuring the impact of programs within different environments and we need to consider which methodologies are best suited to do so. RCTs have a high internal validity and are capable of addressing the typical challenges faced by ethics studies such as endogeneity. Using these methods in organizational and social settings may be challenging but papers such this one, shows that it is possible.

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Appendix 3.1 Email communication

Email 1

Keep your "ethical condition" fit

Main message.

Staying fit (physically or morally) is about health and attitude. It does not depend on age or any other condition. To be fit it is insufficient to exercise just one day or for only one specific goal. But a day and a goal are a good start, if you are persistent.

Example.

Assume you are an employee who have read your Institutional Culture Document, but you have some doubts regarding how to use its advice…

If you dismiss it because you think others have the same doubts you will make a mistake. It would be even worse thinking that it will be enough to behave according with what you understand, because the fact that you belong to this company implies understanding and behaving according to our institutional culture which creates our identity and opportunities for growth.

Some employees -wisely- look for counseling, clarify their doubts, and -even when they may be criticized by their coworkers- they know they are shunning problems and contributing to the common good.

Email 2

Avoiding conflict of interests: if you doubt, please ask.

Main message.

You and I must be committed to take care of the company´s interests. These interests benefit us.

This is why if you are not sure about something good for you that might be inimical to the rest of the institution it is better to ask. It is better asking than end up with a problem of undesirable consequences.

Example.

Assume that you want to do something good for you, but it might be bad for your coworkers or the company. You should avoid it, shouldn´t you?... Now let´s assume you want to do something but you don´t know if you should do it. Better than that, let´s assume you think it is good for the company.

For example, what would happen if you change some information thinking it will benefit the company? If you do it you might create a problem, it might even be a felony. If you minimize it, your acts would still have consequences and you wouldn´t be protected in case a conflict arises.

Therefore, it is better to ask your doubts with your boss and the human resources department. To avoid falling, you must pay attention.

Email 3

Do more to create an environment of liberty and respect.

Main message.

We all feel good when in a certain place we are free and we are treated with respect. The Institutional Culture Document is -among other things- a guide to help us develop this kind of environment. If you understand its meaning, you can go beyond expectations and collaborate to create a better environment of friendship and development.

Example.

Let´s assume you come from another organization where ethical criteria have never been respected and when you see the advice on the Institutional Culture Document you think they are only words. Don´t you think that attitude will affect and envirnonment that takes that advice as relevant?

You could at least verify if those rules are followed here, seeing how others are treated. But you will cooperate more if you assume the value of those rules and respect them. Not just because they are rules, but because if you heed them carefully you will realize they show us what we need to have an environment of freedom and respect.

Therefore, when you understand the rules and practice them, you can do more and help improving the work environment and develop yourself with your coworkers.

Email 4

Friendship leads you to behave in a proper way

Main message.

With time and sympathy coworkers tend to be friends. This can lead to complicated decisions because if a friend asks for help with something that involves unethical behavior, we may be tempted to say yes. A true friend would never approve that kind of situation, because it will bring negative consequences to her/his friend and make her/him his accomplice.

Example.

Imagine a coworker in need of economic support that asks you to help him with the company’s resources… Do you realize it is not easy to say no? Nevertheless, you can´t say yes!

If you say yes thinking “company´s resources are for solving problems anyway” you would let your coworker being a harmful employee, maybe even a felon and you would be her/his accomplice.

You could think about making him wait to avoid a confrontation, but that would be wrong too. And you would be at a risk situation.

If you say no you protect her/him of an even worse situation and protect yourself. Besides, you can talk to your friend instead of letting yourself be blackmailed. This way you could help her/him think things twice and recognize that asking that kind of things is not something you would ask to a friend.

These situations are uncomfortable, but they may be an opportunity to flourish together.

Email 5

When an affair takes place, report it to make better decisions.

Main message.

There may be many reasons for a romantic affair to start between coworkers to be handle with care. It may affect productivity and create conflict of interests. It is not handled properly it may generate comparisons, favoritism, and affect the labor climate. If it implicates a subordinate worker, it may create unethical and even illegal behavior. It would affect the family if one of them is married.

Example.

Let´s assume that you are an employee who recently has started an affair with a coworker… What should you do? Not telling anyone? Is it not a personal matter?

Yes, it is a people's matter and people are not islands, we are connected to each other. Therefore, when two people have a work affair it is not strictly personal because it involves others. Firstly, their coworkers and the company: time is organized differently, preferences change, priorities in the use of money also change, and information tends to be shared in inappropriate ways… You may even think you should favor your partner if there are not immediate negative consequences… Be careful!

To avoid unnecessary risks and compromise your partner´s job, it is better to inform your boss as the company´s policies suggest. Those policies were written to make better decisions avoid complications for the company and its employees.

Email 6

Protect your passwords: your identity is your responsibility

Main message.

Sometimes it may seem easier to share the passwords to the coworkers you trust. It is a big mistake: those keywords are your identity.

Example.

Every employee should recognize how important it is to take care of the passwords the company gives her/him. They should not be shared with coworkers, even if someone you know tells you it will make your job easier.

Would you give access to your Facebook profile to a coworker to contact one of her/his friends using your identity?

Would you give your credit card number to another person because she/he needs it urgently?

Give away your identity is a mistake even if you know the other person. Legally, everything she/he does with your passwords is being done by you, even when you didn´t. Don´t be naive and avoid unfortunate consequences.

In our everyday job we should avoid being careless and facilitate misconduct. We should strengthen confidence respecting the stablished protocols.

Email 7

Enhance your history

Main message.

Being a better person is what makes a better employee, but it is also true that being a better employee makes you a better person. Learn from your mistakes, go beyond your limits, work hard to get whatever give meaning to your life. If you give every moment its true meaning you will have the strength to avoid temptations and obstacles with courage and enthusiasm.

Example.

Think about your own life, in the things that move you, in your deepest wishes and tell me if it is not worth it to make an additional effort to overcome the obstacles that make it hard to achieve them.

Do you have a difficult schedule? Does someone you love is in trouble? A physical limit or any fear paralyzes you? Is there any past action you regret, a conflict that makes you nervous?

You can start over again, you can look for new ways of doing things and ask for help.

The company offers you some tools and companionship, even formal channels to denounce wrongdoing, make proposals and ask if you have doubts. Don´t give up, don´t feel alone, the company´s philosophy propitiate a TRUST based culture because we know that trust is the source of truly strong and nurturing relationships that satisfy people´s needs and helps institutions endure over time.

Appendix 3.2 Vignettes

1. You are a collaborator who has read your Institutional Culture Document, but you have several questions about how to put its instructions into practice.

a. You make like nothing happens, because after all others are equal or worse than you.

b. Ask for advice to understand what each thing means, even if your colleagues criticize you.

c. You try to adjust to what you understand without seeking advice.

2. You are a collaborator who is confused because you consider that if you manipulate certain information, it could generate a benefit for the institution.

a. You decide to proactively do so, because in the end it is a benefit for all.

b. You ask a person of the organization that has greater knowledge of the subject and greater responsibilities to avoid undesirable complications.

c. Minimize the problem and take the route that seems most appropriate without consulting.

3. You come from an organization in which ethical criteria have never been respected, so when you review the advice of the Institutional Culture Document,

a. You consider that it does not matter and that they are only words.

b. Verify if these rules are followed here, observing how others are treated.

c. You assume they are rules that must be respected because that is just the minimum to guarantee an environment of freedom and respect among all.

4. A partner confides in you that she/he needs financial support and suggests you use resources from the institution to help her/him.

a. You avoid agreeing with her/his proposal, so you protect him from a worse situation and protect yourself.

b. You agree, because at the end of the day those resources are meant to solve problems.

c. As you're not sure what to do, you'll defer the decision, even if you remain in a risky situation.

5. You are a collaborator who recently started a love affair with another person in the institution.

a. You keep that information private, because in the end it's a personal matter.

b. You try to help your loved one, as long as there are no foreseeable negative consequences.

c. You give notice to your superiors as indicated by the policies, because you know that they were defined to avoid risks to the collaborators themselves.

6. You are a collaborator who recognizes the importance of the confidentiality of the passwords that the institution entrusted to you, but ...

a. You often lend these passwords to the colleagues you trust the most.

b. There is a situation in which the most logical thing would be to share those passwords, but you refuse to do it because those keys are your identity.

c. There is a situation in which the most logical thing would be to share these passwords, which is why you simply share them.

7. You are an employee whose boss is pressing you to accept a garment that is not sufficiently validated and that seems suspicious to you.

a. You face your fears and give notice through the ethics hotline.

b. You confront your boss, even if it starts a conflict.

c. You do as he told you, arguing that the responsibility is his own.

General Conclusions

Business managers concern about ethics in their organizations and are investing a considerable amount of resources on ethics programs. Nonetheless, the widespread scandals cast doubts about the effectiveness of those ethics programs. This document explores the knowledge about the impact of ethics programs in organizations and proposes an enhanced methodology to conduct this kind of research in the future. It also shows more specifically how these studies should be designed and implemented, by conducting an experiment in a large pawnshop in Mexico.

This thesis starts by doing a literature review that assess the impact of ethics programs on some variable measuring ethical outcomes in a business context. This literature review reports the main characteristics of previous research on ethics programs, namely the methodology, the sources of data, the ethics program assessed, the magnitude of the impact, among others. The analysis of 75 papers that meet the criteria contributes to understand the usefulness of the ethics programs, and what direction future research should take.

One important finding of the literature review is how difficult to reach conclusive evidence about the effectiveness of ethics programs is. Less than half of the studies are able to find clear evidence of a significant impact. However, about 30% find weakly significant impacts and, a quarter of them find no impact at all.

Moreover, it is also difficult to draw any lessons about what may make an ethics program successful. Maybe the sector the company participates in, or the country in which it operates, or the implementation or communication of the program, or any other variable is enhancing or hindering the impact of the program. Nevertheless, it is difficult to compare the available studies. More importantly, previous research has not been designed to isolate the effect of some variables on outcomes. This complicates building some integrative knowledge by conducting a meta-analysis like the one performed in this document.

Another finding is that existing studies did not deal with endogeneity properly, even though it may be an important problem in this kind of research. Omitted variable bias, two-way causality, and self-selection bias may all lead to problems of endogeneity. A few articles recognize it as a problem, but no one addresses it. In this context, another contribution of this thesis is to propose a set of methods that deal effectively with endogeneity. The use of these methods in future research may also help building a comprehensive body of knowledge by focusing on measuring the impact of some variables on ethical outcomes. In order to do that, it is important to use a unified and reliable methodology that enables the comparison of different results in different contexts.

A description of the environment faced by the organizations is needed to contextualize the analysis of the empirical study in the last chapter of this thesis. This is why the second chapter reports the results of a survey designed to understand the ethical context in large organizations operating in Mexico. This document contributes to understand what those companies are doing to promote ethical behavior and how effective their efforts have been. There is a paucity of this kind of studies in developing countries and in Mexico in particular. This lack of knowledge about the ethical context in organizations in Mexico precludes the assessment of what is the starting point for organizations wishing to improve ethical behavior. This document provides a benchmark for companies in different sectors to compare their own efforts designing and implementing ethics programs.

One remarkable finding is that most organizations are implementing ethics programs. More than 90% of the companies surveyed have an ethics/conduct code and a mission/vision statement, and more than 60% have Conflict Resolution Mechanisms/Speak up and compliance policies, have an Ethics Committee or an Ethics Manager or Ethics Department. Besides, the President, CEO and senior management team have a close participation in defining and designing ethical practices. This implies that large companies in Mexico are already investing resources in ethics programs. However, a better understanding of the impact of those programs is necessary.

The implementation of ethics programs is motivated mainly by the need to improve the reputation of the company, the values of businesses’ owners and upper managers, the criminal liability of companies, and the personal development of the employees. The organizations surveyed perceive that ethical practices have an impact mainly in an improvement of the company´s reputation, a more value-orientation, and better compliance with legal regulations. Moreover, just a little more than half the organizations participating in the survey consider that they have achieved their desired level of ethical commitment.

Finally, this thesis presents the results of an experiment conducted at a big pawnshop in Mexico to assess the impact of the communication of its values code on the employees’ understanding of those values. The study was conducted on a sample of 519 employees working in the company’s 206 branches. One contribution of this experiment is that it studies a sector and a country underrepresented in the literature. According to the review of literature in this thesis, only five studies have been conducted in developing countries (Chile, China, Croatia, India, and South Africa) and only one in Latin America (Chile) out of 75 papers. To our knowledge there are no previous studies of ethics programs effectiveness that includes a pawnshop or conducted in Mexico.

The most important contribution refers to the methodology employed in the empirical study. As is mentioned before, randomized control trials are considered as the gold standard for drawing inferences about the effect of a policy or program. One problem with randomized control trials is that they are difficult to implement. Therefore, an important contribution of this thesis is the use of this methodology that shows that, although difficult, it is feasible to implement it.

The experiment finds no evidence of an effect of the communication of the values code on its understanding. Nevertheless, it finds that corporate ethical values and the state in which the company’s branch is located are important determinants of the code’s understanding. Moreover, job tenure is a good predictor of the values’ understanding. This suggests companies should strive to fight labor force turnover.

This work is the first study designed to deal effectively with the problem of endogeneity in order to be able to confidently compare the results of different studies. It is also the first one to use a randomized control trial in assessing the ethics program effectiveness.

As a conclusion, this work claims a new research agenda about the effectiveness of business ethics programs in organizations. It proposes a new approach studying a few variables that may affect program effectiveness in each study, measuring its impact in a reliable way. The magnitude(s) of the impact(s) found in each new document will be used to generate an integrated body of knowledge about what works in business ethics.

This document contends that if future research starts using the proposed methodology, each new study will add some useful information to a growing set of knowledge that will enable us to understand the more effective ways to deal with ethics inside organizations. This new research agenda may not only improve our knowledge of business ethics, but it may have a huge impact on the ethical outcomes in organization by showing managers what works and how to design and implement effective ethics programs.