

Informal and Formal Institutional Measures of Business Ethics Implementation at Different Stages of Enterprise Life Cycle

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Abstract: During its activity, an enterprise passes through different life cycle stages, which differ in terms of management systems, formal structures, control systems, documentation of transactions, and number of procedural hurdles. Therefore, our main research problem focused on the differences in informal and formal institutional measures of business ethics implementation. We used the case study research methodology to explore the differences of informal and formal institutional measures of business ethics implementation at different stages of the enterprise life cycle. The pre-designed questionnaire was used to conduct face-to-face interviews with 40 managers who were in most cases also owners of the studied enterprises.

Keywords: enterprise life cycle; informal and formal measures of business ethics implementation

1 Introduction

In economic science, the biological life cycle is used for describing and explaining the developmental and growth changes of enterprises. Several authors refer to various life cycle stages of enterprises within which they then describe the different enterprise characteristics and problems. Pümpin and Prange [35], as well as other authors, argue that no uniform management model exists as an answer to problems of enterprises in different life cycle stages.

While opinions on the number and nature of specific stages in a life cycle differ, it is clear that organizational challenges and managerial approaches vary as the enterprise evolves [29]. These developments would also seem to have ethical implications, although little research has been done to address the relationship between life cycle stages and enterprise ethics.

Since science recognizes the fact that an enterprise passes through different life cycle stages, and that life cycle stages differ in terms of management systems,

formal structures, control systems, documentation of transactions, and number of procedural hurdles [29], our main research problem is focused on the differences in informal and formal institutional measures of business ethics implementation. Our research is also based research on the differences in ethical climate (as one of the important elements of business ethics implementation) over the enterprise life cycle stages [6], as well as on the results of research on business ethics implementation at different stages of the enterprise life cycle [5].

The first part of this contribution therefore deals with the argumentation of the enterprise life cycle phenomena. In the second part, the importance of the informal as well as formal institutional measures of business ethics implementation is argued, and in the third part, the empirical research and the research results are presented. Following the introductory chapter, the second chapter briefly discusses the underlying theories and concepts, reviewing and discussing the existing research on enterprise life cycle, as well as developing hypotheses. The third, fourth, and fifth chapter present the methodology, sample and data collection, and the results of empirical testing of the hypotheses on differences considering the stage of enterprise life cycle. The last chapter outlines the most significant conclusions and suggests direction for future research.

2 Theoretical Background and Hypothesis Development

Implementing business ethics ought to be part of a change in enterprise policies and embedded in workplace routines. In implementing enterprise ethics, [31] distinguishes between: *formal* and *informal* organizations. Other academics and acknowledged researchers, as well as scientists (e.g., [25, 40, 41, 42, 43]), have developed methods for implementing enterprise ethics and divided them into three categories: *the formal method* (or control) that includes training and courses on the subject of ethics, means of enforcement, conferences and ethics officers; *the informal method* that includes an example, set by the manager, and social norms of the organization; and *the personal method* which encompasses controls that lie within the individual rather than those determined by the organization (e.g. the personal ethical standards of an individual).

Informal methods play an important role in the socialization process, in which “other employees” or people, co-workers, etc. play a major role as “sources of, or references for ways of thinking, feeling, perceiving, and evaluating, and as an audience which may be physically present or absent in any interaction, but towards which an actor orientates their conduct” [12]. Mechanisms of informal control may include a social dimension through which superiors regulate the behaviour of subordinates, or employees regulate the behaviour of their peers through daily interaction in compliance with the enterprise’s norms or values.

According to Adam and Moore [1], the enterprise can employ diverse mechanisms of control, ranging from documents that specify the ethical code of conduct, which are used in the course of training, through the evaluation of employees' performance, and up to enforcement procedures. Some controls (e.g. those used in selection and recruitment routines) appear early in the process of evaluating candidate's actions and attitudes. The three routines of *formal methods* (recruitment, selection, and training) are very important in the process of employee socialization, which takes place in the first year of their membership in the organization [1]. Sims and Keon [36], who argue that such measures are important forms of communicating an enterprise's expectations for employee decision-making, support the importance of formal measures of business ethics implementation. Such high importance is given to the formal measures of business ethics implementation especially due to the research on the correlation between formal measures and performance [21, 28, 44, 47, 48], which revealed that enterprises with well-developed formal measures of business ethics implementation recorded better performance. The enterprises that stress ethics have better images and reputation and yield higher long-term interests. Researchers have shown that employees' ethical awareness and decision-making intent are influential on company performance, where in the absence of ethics, the individuals tend to promote their self-interests at the expense of others in the enterprise when resources are unevenly distributed.

In accordance with these findings, Morris [29] developed the framework of ethical structures, which defines informal ethical structures as structures that affect the atmosphere in a business, where formal ethical structures are considered as concrete and direct measures that establish ethical behaviour: a mission statement, a code of conduct, policy manuals for ethical issues, anonymous hotlines, ethical standards, managers responsible for ethical issues, training programs on ethics, and sanctions for transgressions.

According to Thommen [39], measures of business ethics implementation can be divided into two groups: *institutional* and *structural* measures. Under the term institutional measures, Thommen [39] understands measures and instruments that support enterprise credibility strategy implementation, such as: code of ethics, enterprise culture, SA8000, and human resource measures. In general, he divides institutional measures into preventive and support measures. The first group of measures gives all enterprise stakeholders direction for behaviour: it supports the proper way of behaviour on one side, and imposes sanctions for improper behaviour on the other. The purpose of preventive measures is obviously to prevent non-credible behaviour. The second group of measures, the support measures, helps and supports the credible behaviour. This group of measures enables the maximum credible functioning of the enterprise, and creates an optimal environment for obtaining credible functioning.

Belak's [5] framework of business ethics implementation examines the informal and formal measures of business ethics implementation, containing Thommen's

[39] institutional as well as structural measures of business ethics implementation, measures and instruments as defined by Morris *et al.* [29], as well as measures as defined by other relevant literature on business ethics implementation [25, 30, 31, 40, 41, 42, 43]. The formal measures of business ethics implementation define several criteria for an effective compliance program [24, 29, 39]: a statement of the enterprise's core values, a compliance manual, a code of conduct, a mission statement, anonymous hotlines, job descriptions, selection of employees, training in ethics, evaluation of ethical behaviour, an ethics committee, an ethics audit, sanctions for ethics abuse, ethics standards and indexes, policy manuals for ethical issues, an ethics consulting service, an ombudsman and ethic advocate, and a manager responsible for ethical issues. Maister [26] supports the importance of consistency between mission, vision, enterprise values, and culture. In our research framework, we determined ethical core values that enterprises follow, ethical climate as the atmosphere needed for ethical behaviour, and an enterprise culture that also defines the rules of ethical behaviour as the sole basis and starting point of the emergence of formal as well as informal measures of business ethics implementation.

The theoretical framework of our research was made based on Thommen's model of credibility strategy implementation [39], on Morris's [29] developmental framework of ethical structures, on the framework of business ethics implementation developed by Belak [5] and on some other measures as defined by other relevant literature on business ethics implementation [25, 30, 40, 41, 42, 43].

2.1 Informal Measures of Business Ethics Implementation

Based on the research results discussed previously in the text, the informal measures of business ethics implementation examined in the empirical part of our research are: manager concern/role-modelling, candid ethical communication, ethics as a topic of employee conversation, reward and penalty systems, and the communication of stories.

Manager concern / role-modelling

The importance of a manager's clear commitment to ethical values has been subject to much research showing that it is especially important for top management/leaders to demonstrate ethical behaviour. Trevino, Hartman and Brown [43] distinguish two pillars of ethical leadership. The first pillar is a moral person with traits (e.g. integrity), proper behaviour (e.g. does things in the right way) and decision-making (incorporates values). The second pillar is a moral manager with several supportive characteristics, one of which is being a visible and positive role model in the firm. Other established researchers have noted the importance of top management being good role models as well [13, 29]. Managers who engage in immoral behaviour encourage subordinates to do the same. Their words about ethics and morality will therefore not be taken seriously.

Candid ethical communication

Trevino's research [43] establishes that another supportive characteristic of a moral manager is the ability to communicate about ethics and values with other members of the enterprise. The author argues that the message that values should guide all decisions must begin at the top. Furthermore, communication of management on all levels is necessary to close the gap between what is said and what is actually done in the firm. Candid communication is the only way to inspire employees and build their trust.

Ethics as a topic of employee conversation

Informal conversations among employees play an important role in the ethical life of the firm [42]. This role can be viewed as positive, resulting in support for formal ethics activities, or negative, resulting in indifference or active resistance among employees.

Reward and penalty systems

A reward system is an important tool in rewarding the employees on specific occasions when they positively resolve conflicts or dilemmas by implementing ethical behaviour. Trevino and Nelson [42] argue that this ethics implementation tool should be used to only a limited extent – but is important in influencing the preferred types of behaviour in the future. One such type is exemplary behaviour, a specific individual act that goes beyond management expectations and reflects the core values of the enterprise. On the other hand, such a system must assign punishment for misbehaviour. Sanctions for code violations are necessary and must be enforced to the letter of the code [39]. Managers who avoid disciplinary situations may be sending a powerful signal to their subordinates that misbehaviour is acceptable.

Communication of stories about ethical employees

Employees who go out of their way to exemplify the core values are heroic figures, worthy of recognition in the enterprise. The mechanism for doing this is telling stories [10]. By transmitting what is proper behaviour throughout the enterprise, they serve as an important resource for ethical purposes. Stories may be told about ethical leaders or by leaders to provide appropriate examples for others to emulate.

2.2 Formal Institutional Measures of Business Ethics Implementation

Based on the research results discussed previously in the text, the formal institutional measures of business ethics implementation examined in the empirical part of our research are: the core value statement, the mission statement, the code of ethics, compliance manuals, and ethics standards and indexes.

Core value statement

Effective enterprises identify and develop a clear, concise and shared meaning of values/beliefs, priorities, and direction so that everyone understands and can contribute. Once defined, values influence every aspect of an enterprise, which must support and nurture this impact or identifying the values will have been a wasted exercise.

Mission statement

A mission statement is a management tool that usually includes the enterprise's values and philosophy [4, 14, 29]. According to Dalla Costa [15], this tool is appropriate for enterprises that have a history of integrating values into their decisions, and not suitable for enterprises where such a history does not exist. Wheelen and Hunger [46] argue that an enterprise's mission statement may also include a business's philosophy about how it does its business and treats its employees. This puts into words not only what the enterprise is now, but also what it wants to become – management's strategic vision of the enterprise in the future. In the authors' opinion [46], a mission statement promotes a sense of shared expectations in employees, and communicates a public image to important stakeholder groups in the enterprise's task environment.

Code of ethics

A code of ethics as one business ethics implementation tool has been subject to much research in the past [27, 29, 30, 40]. The research conclusions show that more than 90% of enterprises have a code of ethics or some type of ethics statement [29]. Another important research insight is that the mere presence of an ethics code has a positive impact on enterprise ethics [2]. The code of ethics is an instrument for implementing business ethics within the enterprise, as well as in the enterprise's environment. According to Thommen [39], the code of ethics is the best-known instrument for improving and achieving the enterprise's ethical behaviour. It contains ethical principles that should be followed by certain enterprise behaviour. Also in Staffelbach's [37] opinion, the code of ethics is one of the most important instruments for business ethics implementation.

Compliance manuals

Researchers in the field of enterprise ethics have realized that many enterprises use compliance manuals to communicate relevant rules, to emphasize important policies, or to make these policies understandable [29, 42]. Some researches show that such manuals are widely distributed in large firms ([45] research on a sample of Fortune 500 Industrial and Service firms).

Business ethics standards and indexes

Over the past decade, many varied initiatives and standards regarding enterprise ethical behaviour and corporate social responsibility have occurred. It is important to emphasize that shared and internationally accepted standards on enterprise

ethics do not yet exist. However, there are several standards and initiatives in this field which should be considered when examining the enterprise's ethical behaviour. From the notion of corporate social responsibility (CSR), it is possible to derive the complementary concept of accountability, which means that the enterprise is held accountable for its actions. If enterprises want to manage CSR and sustainability issues and obtain the trust of their social stakeholders, they must not only communicate, but also give concrete evidence that they are committed to continual, long-term improvement. It becomes crucial to measure the enterprise's capacity to meet the stakeholders' needs, and to create a balance between what the enterprise offers and what it receives from the social system [33]. The many different approaches to CSR and the fact that it is generally a voluntary tool that measures the social impact of enterprises – and thus subject to the influence of specific variables of a cultural, political, and economic nature – have made it impossible for a generally accepted model of social reporting to develop. To measure the performance of enterprises in matters of business ethics, several ethical indexes have been introduced in North America and Europe: the Domini 400 Social Index (DSI), the Citizens Index, the Dow Jones Sustainability World, the Jantzi Social Index (JSI), the Triodos Sustainable Investment Index, the Ethical Index Euro, the Ethibel Sustainability System, ASPI Eurozone, the CSR Rank of Slovenian Enterprises, etc.

2.3 Enterprise Life Cycle and Business Ethics

Pümpin and Prange's concepts of the enterprise life cycle described in their latest work [45] have been used by various Slovenian scientists and researchers. Pučko [34] and Duh [16] in particular derived from it important discussions and research. With the application of ideas from these enterprise developmental models, Duh [17] developed her own Developmental Model of Family Enterprise.

Cathomen [in: 22] differentiates between *organizational and technology* life cycles. He categorizes the organizational life cycle into: life cycle of products, organizations, branches and industries, as well as resource potentials. His concepts focus on the establishment/beginning and aging of enterprises and organizations, which in time change from entrepreneurial to bureaucratic organizations. In technology life cycles, the author [Cathomen in: 20] differentiates between: the life cycles of technologies, systems, costs and processes. In his classification, the author proposes a combination of economic and managerial ideas, as well as ideas about the enterprise life cycle (the enterprise's part systems, and its environment).

With the life cycle concept, the life of an enterprise is presented, alluding to its growth and development – a business changes qualitatively and quantitatively. Most authors explain both terms in combination with an enterprise life cycle and combine these phenomena in their models of the enterprise developmental cycle.

In his model of enterprise development, Bleicher [8, 9] distinguishes six developmental stages. Each stage has its own context, at the end of every stage, the enterprise faces specific problems. If the crisis at the stage transition is not managed correctly, the enterprise can regress to a previous stage or even reach the stage of decline – and, consequently, bankruptcy. During the first three developmental stages, the enterprise is capable of developing from its own strengths – these are called the stages of internal development [8]. In the author's opinion, further enterprise development is possible only by the acquisition of and cooperation with other enterprises, and by common exploitation of business opportunities; hence, we can speak of external enterprise development. In the last developmental stage, the enterprise shrinks and consolidates after unsuccessful external development, or it divides into specific parts. At every developmental stage, its management faces specific problems that are reflected at the normative, strategic, and operative management levels.

Thommen supplemented Bleicher's developmental model with the components of the strategy, the structure, and the culture of an enterprise at a certain developmental stage. In Thommen's opinion, it is not only strategic decisions that develop the business life cycle. An enterprise witnesses changes in its structure and culture when passing through various developmental stages. For example, in small enterprises where the founder (pioneer) has a strong impact on management, stakeholders, and business strategy, the enterprise can act in a very flexible manner [39].

Pümpin and Prange [35] developed their model of business development within the framework of the St. Gallen concept of integral management. They distinguish four enterprise configurations which are suitable for describing an enterprise's developmental stages. Pümpin, Prange [35] named these stages pioneer, growing, mature, and enterprise in turnover. In the authors' opinion [35], enterprise development is defined by its use of business opportunities. The enterprise should always exploit environmental and internal change, from which new business opportunities occur. Because business opportunities follow their own life cycle, which in the end leads to the stage of decline, it is essential for an enterprise to search for and discover new business opportunities [16].

As regards the above theory and scientific studies on enterprise life cycle, some research on issues of business ethics has been undertaken. Considering the characteristics of the different enterprise life cycle stages, Belak [5] argues that business ethics implementation also differs in term of life cycle stage. The research results [5] show differences in enterprises' core values, climate, and culture, as well as in informal and formal measures of business ethics implementation at different stages of life cycle. Further, Belak and Mulej [6] also argue that there are differences in ethical climate at different stages in the enterprise life cycle. In a study of family enterprises, Duh and Belak [7, 18, 20] show differences in enterprise core values, ethical climate and enterprise culture between family and non-family enterprises. Further research on Slovene family

enterprises shows [18] that enterprises in the first generation are the most prevalent; therefore, we can argue that the majority of Slovene family enterprises are enterprises in the pioneer stage of their life cycle stage and that differences should occur concerning the life cycle category.

Considering the theory and research results stated above, we propose the following hypotheses and sub hypotheses:

H1: The existence and use of informal institutional measures of business ethics implementation differ according to the enterprise's life cycle stage.

H1a: Manager concern / role-modelling presence differs according to the enterprise life cycle stage.

H1b: Candid ethical communication presence differs according to the enterprise life cycle stage.

H1c: Ethics as a topic of employee conversation differs according to the enterprise life cycle stage.

H1d: Reward and penalty systems differ according to the enterprise life cycle stage.

H1e: The communication of stories about ethical employees differs according to the enterprise life cycle stage.

H2: The existence and use of formal institutional measures of business ethics implementation differ according to the enterprise's life cycle stage.

H2a: Mission statement presence differs according to the enterprise life cycle stage.

H2b: Code of ethics presence differs according to the enterprise life cycle stage.

H2c: Compliance manuals presence differs according to the enterprise life cycle stage.

H2d: Business ethics standards and indexes presence differs according to the enterprise life cycle stage.

H2e: Core value statements are present to a greater extent in non-family businesses than in family businesses.

3 Research Methodology

For our research on the differences in informal and formal institutional measures of business ethics implementation in enterprises in four different life cycle stages, we decide on a mixed methods inclusion that proves to be a useful approach (e.g. [10]). The use of case studies is recommended in combination with quantitative methods since the undertaking of case studies adds qualitative evidence to help understand the research results (e.g., [15]). Therefore, we combine a multiple case study approach (as proposed by [49]), when replication logic was possible, with quantitative methods. Chi-square analysis was used to test independent samples for differences between enterprises in the four life cycle stages. In addition, one-

way ANOVA was used to establish the differences between businesses in different stages of a life cycle.

The questionnaire which was used for conducting interviews was divided into four parts. In the first part, the following demographic data of enterprises in the sample were collected: legal form, main activity, number of owners, percentage of family ownership, perception of enterprise as a family one, and data on size. In the second part of the questionnaire, the enterprise life cycle stage was determined using Puempin and Prange [35]. Using the proposed methodology, we were able to confirm specific findings in a frame of different enterprise life cycle stages, where we examined quantitative (the age of enterprise, size, etc.) as well as qualitative (management behaviour, and its attitudes towards problems, characteristics) characteristics of the examined enterprises (see also Belak and Mulej [6]).

In the third part, we examined the presence of the informal measures of business ethics implementation: managerial concern about ethics, candid communication on ethical issues between management and employees, ethics as a topic of conversation between employees, the existence and importance of a reward and penalty system, as well as communication of “ethical” stories. The questions were closed-ended where the respondent defined the presence of the informal measure of business ethics implementation with a YES or NO answer.

The next part of the questionnaire was designed to determine the presence and the use of the formal institutional measures of business ethics implementation: core value statement, written mission statement, code of ethics, compliance manuals, business ethics standards and indexes. The questions were closed-ended as well as open, and the respondent defined the presence of the listed formal measure of business ethics implementation with a YES or NO answer. Open questions were inserted to explain the YES or NO answers.

Since various authors (e.g. 2, 32]) emphasize the firm size as an important source of variation in organizational behaviour, we took the firm size as the controlling variable in our research. By controlling for organization size (measured by the number of employees), we were able to determine that the similarities and differences in informal and formal institutional measures of business ethics implementation between our four sub-samples were due to life cycle stage (pioneer, growing, mature, turn over), and not due to organization size.

4 Sampling and Data Collection

For the purpose of this study, judgmental sampling was used, in which population elements were selected based on the expertise of the researchers. We believe that, by using such a procedure, the representative enterprises of the population were

included. Data were collected through in-depth case studies, including face-to-face structured interviews with 40 managers (in many cases, the respondents were also owners) of Slovenian enterprises. The basis for conducting interviews was the pre-designed questionnaire previously discussed herein.

Table 1
Distribution of research sample by status (life cycle stage) and size

Life cycle stage (LCS)		Size				Total
		Large	Medium	Micro	Small	
Pioneer	Count	0	1	6	3	10
	% within LCS	,0%	10,0%	60,0%	30,0%	100,0%
	% within size	,0%	11,1%	60,0%	18,8%	25,0%
Growing	Count	4	6	2	10	22
	% within LCS	18,2%	27,3%	9,1%	45,5%	100,0%
	% within size	80,0%	66,7%	20,0%	62,5%	55,0%
Mature	Count	1	1	2	2	6
	% within LCS	16,7%	16,7%	33,3%	33,3%	100,0%
	% within size	20,0%	11,1%	20,0%	12,5%	15,0%
Turn over	Count	0	1	0	1	2
	% within LCS	,0%	50,0%	,0%	50,0%	100,0%
	% within size	,0%	11,1%	,0%	6,3%	5,0%
Total	Count	5	9	10	16	40
	% within LCS	12,5%	22,5%	25,0%	40,0%	100,0%
	% within size	100,0%	100,0%	100,0%	100,0%	100,0%

Out of 40 enterprises, 10 (25.0%) were defined as being in the pioneer life cycle stage, 22 (55.0%) in growing life cycle stage, 6 (15.0%) in mature life cycle stage and 2 (5%) in turn-over life cycle stage. The number of employees was the measure of the size of the examined enterprises, where micro enterprises were enterprises with 0 to 9 employees, small enterprises had 10 to 49 employees, medium-sized enterprises had 50 to 249 employees, and large enterprises had more than 250 employees. The distribution of the sample by size is presented in Table 1.

The main business activities of the enterprises examined were manufacturing (5 enterprises), construction (7 enterprises), wholesale/retail (4 enterprises), financial intermediation (7 enterprises), hotels and restaurants (2 enterprises), and "other" (15 enterprises). However, the structure of the sample regarding the activity did not allow for an analysis of the differences in informal and formal measures of business ethics implementation due to the businesses' primary activities.

5 Research Results

Concerning hypotheses H1, 100 % of companies in the pioneer life cycle stage and 95.5 % of companies in the growing life cycle stage claimed that manager role-modelling is present in their businesses. Contrary to this, 83.3 % and only

50 % of respondents in mature and turn-over life cycle businesses have manager role-modelling present. χ^2 analysis performed shows that the difference is statistically significant at $p < 0.10$ ($\chi^2=7.022$), which means that we can claim support for H1a.

The frequency of candid ethical communication was measured on a scale from 1 (infrequently) to 3 (very frequently). Results show that this type of communication is to a small extent more frequent in growing businesses. One-way ANOVA indicates that this difference between the mean values (pioneer life cycle stage mean value: 1.30, growing life cycle stage mean value: 1.50, mature life cycle stage mean value: 1.17, and turn-over life cycle stage mean value: 1.00) is not statistically significant. Therefore, hypothesis H1b was rejected.

Ethics is a topic of employee conversation in only 10.0 % of pioneer life cycle businesses and in 22.7 % of growing life cycle stage businesses. In companies in mature life stage this percentage is 16.7 % and none of the companies in the turn-over life cycle claimed that in their company ethics is a topic of employee conversation. The difference between the businesses is not statistically significant ($\chi^2=1.222$; $p>0.01$). Therefore, hypothesis H1c was rejected.

As regards reward systems based on ethical standards, 20.0 % of pioneer businesses, 40.9 % of growing businesses, 16.7 % of mature businesses and none of the turn-over businesses reward their employees according to ethical standards. The chi-square (3.088) value is not statistically significant. In pioneer (in 50.0 % of cases) and in growing businesses (in 68.2 % of cases) non-ethical behaviour of employees is, however, punished, more frequently than in mature businesses (in 33.3 % of cases) and in turn-over businesses (who do not punish unethical behaviour). Chi square statistics once again is not statistically significant ($\chi^2=5.228$; $p>0.01$) and in accordance to that, hypotheses H1d was rejected.

The communication of stories about ethical employees differs between companies concerning the company life cycle. According to respondents, this behaviour can be observed in 40.0 % and 63.6 % of the pioneer and growing businesses, respectively, and in 66.7 % and 0 % of the mature and turn-over businesses, respectively. However, the chi square test of differences between the businesses is not statistically significant ($\chi^2=4.346$; $p>0.01$). Hypothesis H1e was therefore rejected.

In the case of formal measures of business ethics implementation, a mission statement is present in 30.0 % of the pioneer businesses, in 60.0 % of the growing businesses, in 50.0 % of the mature businesses and in none of the turn-over businesses. The chi square test shows that the difference between the businesses in the four life cycle stages is not statistically significant ($\chi^2=4.307$; $p>0.01$). Therefore, hypothesis H2a was rejected.

20.0 % of the pioneer businesses, 18.2 % of the growing businesses, 16.7 % of the mature businesses, and none of the turn-over businesses have a code of ethics. The

difference is not statistically significant ($\chi^2=0.478$; $p>0.01$). Therefore, hypothesis H2b was rejected.

Compliance manual development can more often be found in growing (mean value 1.64) and in mature businesses (mean value 1.67) in comparison to pioneer (mean value 1.50) and turn over (mean value 1.00) businesses; however according to one-way ANOVA, the difference between the businesses as regards the life cycle stage is not statistically significant ($F=0.488$; $p>0.05$). Hypothesis H2c was therefore rejected.

None of the businesses in the four categories has acquired any ethical standard. Concerning the familiarity of standards, the results are as follows:

- 30.0 % of respondents in the pioneer businesses, 9.1 % of respondents in the growing businesses, 16.7 % of respondents in the mature businesses and none of the respondents in the turn-over business know Ethical Index Euro (there are no statistically significant differences between any of the types of businesses),
- only 10 % of respondents in the pioneer businesses and none of respondents in the businesses in the other life cycle stage categories know the Ethibel Sustainability Index (ESI) (there are also no statistically significant differences between any of the types of businesses),
- only one respondent in the mature businesses and none of the respondents in the other categories know the Aspi Eurozone (Advanced Sustainable Performance Indices), and therefore also in this case there are no statistically significant differences,
- 50.0 % of respondents in the pioneer and growing businesses, 33.3 % of respondents in the mature businesses and none of the respondents in the turn-over businesses know the Slovenian corporate social responsibility index. Chi-square statistics shows that also this difference is not statistically significant.
- only a small number of respondents in the sample (10.0 % in the pioneer businesses, 9.1 % in the growing business, 33.3 % in the mature businesses and none in the turn-over businesses) know the Social Accountability 8000 (SA8000) index.

A core value statement is present to a greater extent in the growing businesses (in 31.8 %) and the mature businesses (in 50.0 %). Only 10.0 % of the businesses in the pioneer life cycle stage and none of the businesses in the turn-over life cycle stage have a core value statement. A chi-square test shows that the difference is not statistically significant at $p<0.05$ ($\chi^2=4.024$). Hypothesis H2e can therefore not be supported.

Our research concerning firm size showed that in two cases statistically significant differences between micro, small, medium and large enterprises are present. A mission statement is present in all the large companies, in 63.3 % of the medium-

sized companies, in 33.3 % of the small companies and in 33.3 % of the micro companies. Results of a chi square test ($\chi^2=10.135$) suggest that the difference between large companies and medium, small, and micro sized companies is statistically significant at $p<0.05$. 85.7 % of the large companies have a core value statement, while only 9.1 % of the medium-sized, 22.7 % of the small-sized, and 22.2 % of the micro companies have mission statements. The difference between large and medium, small and micro companies is statistically significant ($\chi^2=13.791$; $p<0.01$).

Conclusions, limitations and directions for future research

The presence/non-presence of studied measures enable us to make some conclusions regarding the efforts undertaken in the studied enterprises in order to behave ethically. Our research revealed only one statistically significant difference regarding informal and formal measures of business ethics implementation, which is manager concern/role-modeling. The role-modeling is present more greatly in the pioneer and growing enterprises than in the mature enterprises and enterprises in turn over.

The research results show no statistically significant differences in the other examined measures between family and non-family enterprises. However, research results revealed that certain informal as well as formal measures of business ethics implementation are used to a greater extent to encourage and control ethical behaviour than others.

Despite this fact, as regards the informal institutional measures of business ethics implementation, the research has shown that manager role-modeling and reward systems based on ethical standards are to some extent more present in enterprises in early (pioneer and growing) life cycle stages than in enterprises in late (mature and turn over) life cycle stages. As regards the role-modeling, the results are understandable since the demonstration of ethical behaviour by the management is above all important in early phases of organizational culture creation. In that phase, family enterprises are usually smaller and the contacts between employees and management are more frequent. In addition, we can assume that there is a general lack of material for stories about ethical or unethical behaviours of employees. Higher revenues in the growing phase of the life cycle enable management to develop adequate reward systems to stimulate the desired ethical behaviour.

Candid ethical communication on the other hand is most frequent in enterprises in the mature life cycle stage. Such enterprises more often use communication of stories about ethical or unethical employees in order to foster ethical behaviour. The last two measures are very important since they can both be placed under the concept of corporate culture.

Concerning the formal institutional measures of business ethics implementation, a mission statement is mostly present in growing and mature enterprises and only

quite rarely in pioneer enterprises. This finding is to some extent surprising, since one would expect that smaller enterprises in pioneer life cycle would also have a clear vision and mission, which would enable them to clarify and develop proper objectives. Concerning compliance manual development, research results also showed that the vast majority of companies in Slovenia, especially those in late life cycle stages, are not well acquainted with ethical standards. This is above all true for European ethical standards.

The results of our research are based on self-assessments, which were the only possible alternative, and these unfortunately could not be questioned or tested by outsiders' evaluation, especially in the case of informal measures of business ethics implementation.

The research presented herein serves as the first step toward an in-depth study of the differences in informal and formal institutional measures of business ethics implementation as it relates to the enterprise life cycle stages. We see our findings (with all limitations taken into account) as preliminary in nature, with further empirical work needed.

Future research should be oriented towards the examination of the effectiveness of formal and informal measures of business ethics implementation. These measures should not be studied in isolation; Kaptein and Schwartz [23] call attention to the studies of the Ethics Resource Centre, which found that when the implementation of a code of ethics is not supported by other measures, it had a negative effect on employee perception of ethical behaviour in the workplace. When ethics training and an ethics office supported the ethics code, the code had a positive effect on employee perception. To achieve the optimal performance with ethical behavior support, businesses should never implement measures of business ethics as isolated tools, but rather only in the frame of a full and complete ethics program. The initiated business ethics measures must be correctly adjusted and coordinated, as well as integrated, in a common business ethics concept, program or plan. An enterprise's top management can be considered as the "agent" responsible for the harmonization of stakeholders' interests (as well as different cultures); therefore, we argue that the formulation and implementation of an ethics program strongly depend on the top management. In our opinion, the top management can also be considered as the executor of the enterprise's culture (values and norms initiated by the enterprise owners), which represents one of the most important elements in the context of an enterprise's ethical behaviour. Our research results therefore give managers and owners an overview and the knowledge of how to manage their business ethics in relation to the enterprise's characteristics in different enterprise life cycle stages.

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