

INTEGRATED AND DECOUPLED CORPORATE SOCIAL PERFORMANCE:

Management Commitments, External Pressures, And Corporate Ethics Practices

By Gary R. Weaver, Linda Klebe Trevino and Philip L. Cochran
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BACKGROUND

Corporations are facing increasing pressures to run their businesses in a socially responsible manner. Often this pressure is the result of explicit government requirements but society generally is concerned more and more with the social legitimacy of business. Sometimes the pressure is applied from within the corporation, reflecting management's commitment to running the business in a responsible fashion.

In some cases, pressures for social responsibility may lead corporations to make meaningful changes that are integrated into the everyday business. Sometimes, however, the corporate response amounts to little more than "window dressing" and the measures implemented can be easily decoupled from the company's regular organizational activities. This survey set out to examine these different corporate responses.

THE SURVEY

Objective: To determine the relationship between external pressures versus management commitments to ethics and decoupled versus integrated processes within formal corporate ethics programs.

Population: 990 surveys were sent to the two Fortune 500 lists in 1994 for a general ethics study.

Response rate: Of the 254 respondents (26% response rate), 128 that had high formal ethics activity were selected for this additional, focused study.

General Premise

- Corporations can respond to expectations for socially responsible processes and outcomes in organizationally integrated ways or in an easily decoupled fashion. Emphasis on external pressures usually leads to easily decoupled practices, whereas management commitment to ethics usually leads to integrated practices.

Specific Hypotheses

- The more a company's top management is aware of the USSC guidelines (Federal Sentencing Guidelines for Organizations), the more the company's formal ethics program will incorporate easily decoupled practices.
- The more negative media attention a company receives for real or alleged ethical failures, the more the company's formal ethics program will incorporate easily decoupled practices.

- A company's presence at Conference Board ethics meetings will be positively associated with the use of easily decoupled practices in the company's formal ethics program.
- The more a company's top management is committed to financial, strategic and operational concerns, the more the company's ethics program will incorporate easily decoupled practices.
- The more a company's top management is committed to ethics, the more the company's formal ethics program will incorporate easily decoupled ethics practices.
- The more a company's top management is committed to ethics, the more the company's formal ethics program will incorporate integrated practices.

Dependent Variable Measures

- Easily decoupled ethics practice: Policy communications (e.g. memos, reminders, newsletters)
- Integrated ethics practice: Ethics-oriented performance appraisal

Independent Variable Measures

- Management awareness of USSC Guidelines
- Negative media attention
- Presence at Conference Board ethics meetings
- Top management commitment to ethics
- Top management commitment to financial, strategic, and operational matters

Major Findings

- External factors are more likely to influence the development of easily decoupled ethics program practices than the development of more integrated ethics program practices.
- Top management commitment to ethics appears to be required if more integrated practices are to develop.

Implications

- It is important to distinguish between easily decoupled and integrated forms of responsible corporate behavior.
- Ethics programs can embody elements of both forms, as a reflection of different external and managerial influences.
- More attention should be paid to the role of managers as moral actors on the corporate stage.
- It should not be assumed that most responsible corporate behavior is only a matter of satisfying institutional pressures for legitimacy.
- Without a top management commitment to ethics, a company's ethics practices may be the kind that employees can easily ignore.
- Policy makers should focus on forming cooperative partnerships with the decision makers whose commitment to ethics will make a crucial difference to the ultimate integration of socially responsible ideals with routine organizational activities.