Exploring Enterprise Life Cycle: Differences in Informal and Formal Institutional Measures of Business Ethics Implementation

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Abstract: 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, our main research problem was focused on differences in informal and formal institutional measures of business ethics implementation. The case study research methodology was applied to explore the differences of informal and formal institutional measures of business ethics implementation at different stages of enterprise life cycle. The pre-designed questionnaire was used in conducting face-to-face interviews with 40 managers who were in most cases also owners of the studied enterprises.

Keywords: enterprise life cycle, case study, informal and formal measures of business ethics implementation

Introduction

In economic science, the biological life cycle was 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 different enterprise characteristics and problems. Pümpin and Prange [33], 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 [27]. 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 [27], our main research problem was focused on differences in informal and formal institutional measures of business ethics implementation. Our research is also based on the research cognitions on differences in ethical climate (as one of the important elements of business ethics implementation) over the enterprise life cycle stages [6] as well as cognitions of the 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 cognitions 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.

**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, [29] distinguishes between: *formal* and *informal* organizations. Other academics and acknowledged researchers, as well as scientists (e.g., [23, 38, 39, 40, 41]), 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 [11]. 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. Adam and Moore [1] argue that informal methods such as the social norms of the enterprise may reflect the enterprise’s values and rules of ethics. Enterprise members may be coerced by other members of the group, peers or superiors, to conform to the social norms. If not, they risk disapproval, or even rejection. In such a way, the social group exerts pressure on the individual to conform to the norms – but only to a limit. Different relationships (e.g. between co-workers, superior vs. team, superiors and subordinates, etc.) may develop in the frame of non-formal meetings such as coffee breaks, lunches, sport, etc. We can see that informal social norms play a crucial role in forming the social order in an enterprise [1].

On the other side, managers have a strong impact on the behaviour of their employees. This informal method is labelled as the example set by the manager, which is part of the formation of manager-subordinate relationships. The example set by the manager may be the tool advocated by the philosophy of the enterprise. “The role model” is also one of the roles that managers are expected to perform, since they can set the example for “proper and desirable behaviour” for the employee to imitate.

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]. The importance of formal measures of business ethics implementation is supported also by Sims and Keon [34] who argue that such measures are important form of communicating enterprise’s expectations for employee decision making. Such a high importance is given to the formal measures of business ethics implementation especially due to the researches on correlation between formal measures and performance [19, 26, 42, 45, 46], which revealed that the enterprises with well developed formal measures of business ethics implementation recorded better performances. The enterprises that stress ethics have better images and reputation and yield higher long-term interests. The
researches showed 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 [27] developed the framework of ethical structures, which originates from core values. In the author’s opinion, ethical behaviour of an enterprise is not possible without the implementation of ethical core values. Informal ethical structures are crucial for the emergence and actualization of formal ethical structures. Formal ethical structures cannot emerge if there is an absence of managerial concern about ethical problems or sincere ethical communication between management and employees. Furthermore, employees need to discuss ethical topics, and as a sign of approval of ethical behaviour, such employees should be rewarded. Typical of informal ethical structures are various stories, legends and myths about the ethical behaviour of individuals, communicated within a business. Morris [27] 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 [37], measures of business ethics implementation can be divided into two groups: institutional and structural measures. Under the term Institutional measures, Thommen [37] understands measures and instruments that support enterprise credibility strategy implementation, such as: code of ethics, enterprise culture, SA8000, human resource measures. In general, he divides institutional measures into preventive and support measures. The first group of measures gives all enterprise stakeholders the direction of behaviour: it supports the proper way of functioning, 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 [37] institutional as well as structural measures of business ethics implementation, measures and instruments as defined by Morris et al. [27], and measures as defined by other relevant literature on business ethics implementation [23, 28, 29, 38, 39, 40, 41. The formal measures of business ethics implementation define several criteria for an effective compliance program [22, 27, 37]: a statement of 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. These elements are indispensable when communicating moral expectations within the enterprise. The elements of informal measures contained in Belak’s framework include informal norms, heroes and role models, rituals, stories, and the specific language used and define important parts of the informal culture. Core values, enterprise culture and climate, on the other hand, are part of both structures and represent the starting point of the model. Maister [24] 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 enterprise culture that also defines the rules of ethical behaviour, as the sole base and starting point of emergence of formal as well as informal measures of business ethics implementation.

Based on the Thommen’s model of credibility strategy implementation [37], Morris’s [27] developmental framework of ethical structures, and framework of business ethics implementation developed by Belak [5] and some other measures as defined by other relevant literature on business ethics implementation [23, 28, 38, 39, 40, 41] the theoretical framework of our research was made.

Informal and formal measures of business ethics implementation

Based on the research cognitions 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 system, and 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 [41] 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. The importance of top management being good role models has been noted by other established researchers as well [12, 27].
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 [41] 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 [40]. 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 system
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 [40] argue that the ethics implementation tool should be used to 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 [9]. 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.
Formal institutional measures of business ethics implementation

Based on the research cognitions discussed previously in the text the formal institutional measures of business ethics implementation examined in the empirical part of our research are: core value statement, mission statement, 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 impact every aspect of an enterprise, which has to support and nurture this impact or identifying 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, 13, 27]. According to Dalla Costa [13], 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 [44] argue that a 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 future. In the authors’ opinion [44], 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 [25, 27, 28, 38]. The research conclusions show that more than 90% of enterprises have a code of ethics or some type of ethics statement [27]. 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 [37], 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 [35] 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 realized that many enterprises use compliance manuals to communicate relevant rules, to emphasize important policies, or to make these policies understandable [27, 40]. Some researches show that such manuals are widely distributed in large firms ([43] research on a sample of Fortune 500 Industrial and Service firms).

Business ethics standards and indexes

During the last decade, many varied initiatives and standards regarding enterprise ethical behaviour and corporate social responsibility 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 by 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 [31]. Many different approaches and the fact that it is generally a voluntary tool that measures the social results 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.

Enterprise life cycle and business ethics

The application of the biological life cycle model to economic science and practice is a relatively new phenomenon. Fueglistaller and Halter [20] refer to Grabowski and Mueller (1975), who developed the Life Cycle Theory (Lebenszyklustheorie) in the 1970s. According to Fueglistaller and Halter [20], Korallus (1988) was the author who importantly contributed to this area, likewise Pümpin and Prange (1991), Rosenbauer (1995), and Kemmetmüller and Schmidt (1995). An especially significant role in developing the enterprise life cycle
among these authors was played by works of the co-creators of the St. Gallen Model of Integral Management – Bleicher [7, 8], Pümpin and Prange [43], and Fueglistaller and Halter [20].

Pümpin and Prange’s concepts of the enterprise life cycle described in their latest work [43] have been used by various Slovenian scientists and researchers. Pučko [32] and Duh [15] in particular derived from it important discussions and research. With the application of ideas from these enterprise developmental models, Duh [16] developed her own Developmental Model of Family Enterprise.

Cathomen [in: 20] 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, making allusions 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 enterprise developmental cycle.

In his model of enterprise development, Bleicher [7] 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 [7]. In the author’s opinion, further enterprise development is possible only by acquisition of and in cooperation with other enterprises, and common exploitation of business opportunities; hence, we can speak of external enterprise development. In the last developmental stage, 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 strategy, structure, and 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 [36].

Pümpin and Prange [33] 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 [33] named these stages pioneer, growing, mature, and enterprise in turn-over. In the authors’ opinion [33], 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 [15].

Considering the above theory and scientific cognitions on enterprise life cycle some researches on issues of business ethics were done. Considering the characteristics of the different enterprise life cycle stages Belak [5] argues that also business ethics implementation differs in term of life cycle stage. The research cognitions [5] show differences in enterprises’ core values, climate, culture, as well as in informal and formal measures of business ethics implementation at different stages of life cycle. Further also Belak and Mulej [6] argue the differences in ethical climate considering the enterprise life cycle stage. In a frame of family enterprises, Duh and Belak [17] show differences in enterprise core values, ethical climate and enterprise culture between family and non-family enterprises. Further research cognitions on Slovene family enterprises show [18] that enterprises in the first generation prevail; therefore we can argue that the majority of Slovene family enterprises are enterprises in the pioneer stage of their life cycle stage and that the differences should also occur concerning the life cycle category.

Considering the theory and research cognitions stated above, we propose two main hypotheses:

H1: The existence of informal institutional measures of business ethics implementation differs according to the enterprise’s life cycle stage.
H2: The existence of formal institutional measures of business ethics implementation differs according to the enterprise’s life cycle stage.
Research methodology

For our research on differences of informal and formal institutional measures of business ethics implementation of enterprises in four different life cycle stages, we decide on a mixed methods inclusion which proves to be a useful approach (e.g. [10]). The use of case studies is suggested in combination with quantitative methods since undertaking of case studies adds qualitative evidence in order to better understand the research results (e.g., [14]). Therefore, we combine a multiple case study approach (as proposed by [47]), where replication logic was possible, with quantitative methods. In order to test for differences between enterprises in four life cycle stages independent samples chi-square analysis was used. Also one way ANOVA was used to establish the differences between businesses in different stage 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 [27] methodology. 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 close-ended where the respondent defined the presence of the informal measure of business ethics implementation with a YES or NO answer.

The third 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 close-ended as well as opened, where the respondent defined the presence of the listed formal measure of business ethics implementation with a YES or NO answer. Opened questions were set to further explain the YES or NO answers.

Since various authors (e.g. [2, 30]) 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 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.
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>
<thead>
<tr>
<th>Life cycle stage (LCS)</th>
<th>Size</th>
<th>Count</th>
<th>Large</th>
<th>Medium</th>
<th>Micro</th>
<th>Small</th>
<th>Total</th>
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<tr>
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<td>6</td>
<td>3</td>
<td>10</td>
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<tr>
<td></td>
<td>% within LCS</td>
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<td>10,0%</td>
<td>60,0%</td>
<td>30,0%</td>
<td>100,0%</td>
<td></td>
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<tr>
<td></td>
<td>% within size</td>
<td>.0%</td>
<td>11,1%</td>
<td>60,0%</td>
<td>18,8%</td>
<td>25,0%</td>
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<tr>
<td>Growing</td>
<td>Count</td>
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<td>6</td>
<td>2</td>
<td>10</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within LCS</td>
<td>18,2%</td>
<td>27,3%</td>
<td>9,1%</td>
<td>45,5%</td>
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<tr>
<td></td>
<td>% within size</td>
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<tr>
<td>Mature</td>
<td>Count</td>
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<td>1</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% within LCS</td>
<td>16,7%</td>
<td>16,7%</td>
<td>33,3%</td>
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<td></td>
<td>% within size</td>
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<td>20,0%</td>
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<td>Turnover</td>
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<td>% within LCS</td>
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<td>% within size</td>
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</table>

Table 1: Distribution of research sample by status (life cycle stage) and size
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 size of the examined enterprises was measured by the number of employees, where micro enterprises are enterprises with 0 to 9 employees, small enterprises have 10 to 49 employees, medium-sized enterprises have 50 to 249 employees, and large enterprises have more than 250 employees. The distribution of the sample by size is presented in Table 1.

The main business activity of the enterprises examined was 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 regarding the businesses’ primary activities.

Research results

Our hypothesis H1 – The existence of informal institutional measures of business ethics implementation differs according to the enterprise’s life cycle stage – was tested considering the differences of various informal measures of business ethics implementation. The differences between the enterprises in different life cycle stages were tested using the Pearson’s chi-square statistic for dichotomous variables (yes and no questions) and with one way ANOVA for interval variables. In a frame of candid ethical communication, ethics as topic of employee conversation, reward and penalty system and communication of stories about ethical employees, our research cognitions show no statistically significant differences. The results however differ according to the company life cycle stage, concerning the manager concern/role modelling 100 % of companies in pioneer life cycle stage and 95.5 % of companies in 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. Performed $\chi^2$ analysis shows that this difference is statistically significant at $p < 0.10$ ($\chi^2=7.022$). Overall, our hypothesis H1 cannot be supported.

Our hypothesis H2 – The existence of formal institutional measures of business ethics implementation differs according to the enterprise’s life cycle stage – was tested considering the differences of various formal measures of business ethics implementation. The differences between the enterprises in different life cycle stages were once again tested using the Pearson’s chi-square statistic for dichotomous variables (yes and no questions) and with one way ANOVA for interval variables. In a frame of core value statement, mission statement, code of ethics compliance manuals, as well as business ethics standards and indexes our
research cognitions show no statistically significant differences. Our hypothesis H2 can therefore not be supported.

Conclusions with limitations and directions for future research

The presence/non-presence of studied measures enable us to make some conclusions regarding efforts which are undertaken in 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 modelling. The role modelling is presented to a greater extent in the pioneer and growing enterprises than in mature and enterprises in turn over. The research results show no statistically significant differences in 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 greater extent to encourage and control ethical behaviour than others.

The results of our research are based on self-assessments, which were the only possible alternative and 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 differences in informal and formal institutional measures of business ethics implementation between family and non-family businesses. We see our findings (with all limitations taken into account) as preliminary in nature, with further empirical work needed.

Future research should be oriented toward examination of the effectiveness of formal and informal measures of business ethics implementation. These measures should not be studied in isolation; namely Kaptein and Schwartz [21] call attention to the studies of the Ethics Resource Centre which found that when the implementation of code of ethics is not supported by other measures, it had negative effect on employee perception of ethical behaviour in the workplace. When a code was supported by ethics training and ethics office, it has a positive effect on employee perception.

References


