

# CREATING ETHICAL COMPLIANCE SYSTEMS IN MARKETING ORGANIZATIONS

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## ABSTRACT

Corporate America has become more concerned with ethics and compliance programs as a result of the passage of the Federal Sentencing Guidelines for Organizations (FSGO) of 1991. The FSGO make the organization liable for the illegal acts of individual employees. The organization can be fined and/or placed on organizational probation. The guidelines specify minimum standards of performance for organizations in supporting, developing, and implementing their ethics and organizational compliance initiatives. If the organization has been found to not maintain an effective compliance program and an employee engages in an act of antitrust, for example, the penalties can reach the maximum. The base range of penalties under the guidelines is \$5,000 to \$72,500,000. The FSGO establish seven key areas that organizations should consider including codes of ethics, ethics training, top level management support, adequate reporting mechanisms, care in delegation of discretionary authority in the organization, disciplinary mechanisms for offenders, and revision of the system as improvements can be made. The FSGO have had a enormous impact on organizations giving them an incentive to develop effective compliance programs. Until the passage of the FSGO, many large organizations such as Sony did not have organized, formal compliance programs or codes of ethics.

Many organizations are struggling to determine what constitutes an "effective" compliance program. Many would deem that an effective program means there are no offenses or violations. That reasoning does not take into account the rouge employee who knowingly breaks organizational policies or manipulates rules for personal gain. Very few studies have been conducted into the effect of ethics training or comprehensive ethics programs as related to the seven minimum steps for compliance set out by the FSGO. One study

conducted evaluated the effect of the development of a comprehensive FSGO compliance program in Employees engaged in pretest/post test questionnaires and the following was found. The higher the employees' perceptions of ethical climate in the organization the higher their perceptions of product quality, intra organizational trust, and market orientation. Studies which can relate desired organizational outcomes with initiating compliance programs create a more positive incentive for organizational acceptance.

The second study looked at the effect of utilizing an established ethics training game, Gray Matters. Gray Matters was developed by Lockheed Martin and is utilized in organizations across the country to train employees. The game uses realistic mini-cases and provides alternative answers for teams to debate. The results of the study revealed that employees had greater confidence in their ability to make the correct ethical choice (higher level of ethical self-efficacy) after being exposed to the training. In addition, employees placed less value on the input of peers in ethical decision making and had an increased perception of the importance of rules and procedures in the organization. This would seem to indicate that realistic mini-case training with feedback and group interaction can have some very positive effects on employees.

Many associations, industries, and organizations are working to continuously improve their ethical compliance programs. Ongoing research efforts need to focus on how to assist in improving the overall ethical climate of the organization and how to evaluate the role that various training devices play in assisting in achieving organizational objectives. Opportunities exist to assist in the shaping and structuring of future public policy in the compliance area.