

# Does Ethics Code Design Matter? Effects of Ethics Code Rationales and Sanctions on Recipients' Justice Perceptions and Content Recall

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**ABSTRACT.** Prior research on ethics codes has suggested, but rarely tested, the effects of code design alternatives on the impact of codes. This study considers whether the presence of explanatory rationales and descriptions of sanctions in ethics codes affects recipients' responses to a code. Theories of organizational justice and persuasive communication support an expectation that rationales and sanctions will be positively related to code recipients' recall of code content and perceptions of organizational justice. Content recall is an obvious precondition of code compliance; justice perceptions have multiple implications for the attitudes and actions of organizational members. Results show that explanatory rationales are associated with a statistically significant increase in perceptions of organizational procedural justice, but that rationales and sanctions generally show no relationship to distributive justice perceptions and accurate content recall. These results suggest that common prescriptions regarding ethics code design are of uncertain value apart from further research which unearths the relationships among the intended and perceived purposes of codes, the organizational settings in which they are applied, and a wide variety of code designs.

Although codes of ethics figure prominently in organizations' efforts to reduce unethical behavior on the part their members (Berenbeim, 1987, 1992; Center for Business Ethics, 1986; Langlois and Schlegelmilch, 1991; Sweeny and Siers, 1990), evidence on the actual impact of codes is at best mixed (e.g., Mathews, 1988). Inconsistent results from ethics code implementations may reflect difficult-to-control elements of organizational context. Reward systems, cultures, leader behaviors, and other organizational phenomena can affect people's interpretations of and responses to a code of conduct (Cressey and Moore, 1983; Trevino, 1990). It is *also* possible, however, that variations in the design and content of a code affect people's responses to the code. Prescriptive discussions of ethics management practices routinely suggest putatively ideal formats and contents for codes of ethics (Landekich, 1989; Manley, 1991; Molander, 1987; Raiborn and Payne, 1990). Unfortunately, this advice often is of an intuitive, unsystematic, and ambiguous character. For example, Raiborn and Rayne (1990) suggest that an effective code should be "comprehensive," i.e. covering "virtually any conduct." But comprehensiveness could be achieved either by exhaustively *detailed* codes or by extremely *general* codes. Moreover, an exhaustively detailed code risks becoming so unwieldy as to be ignored by most people, and a generalized code risks being so open-ended that impartial and unambiguous application is difficult. Therefore, before further intuitively plausible prescriptions for code design are offered, it is important that research consider the actual effects, *if any*, of variations in code design.

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Code design questions can be raised in the context of assessing the effectiveness of codes in fostering specific forms of ethical behavior. But although a code of ethics may be intended to encourage ethical behavior, it also may have a variety of other impacts on an organization. Codes may, for example, symbolize to members and the public an organization's values or ideology, and in that symbolic role affect people's perceptions of and responses to the organization. Thus design issues are relevant to multiple questions one can raise regarding the effects of ethics codes.

This experimental study specifically tests for theoretically predictable effects of code *rationales* and *sanctions* on recipients' *perceptions of organizational justice*, and on their ability to *recall the content of a code*. Actual codes vary regarding the inclusion of rationales and sanctions (Cressey and Moore, 1983). Thus the study realistically represents a decision faced by any code's author. Moreover, codes of ethics, insofar as they proscribe behavior and prescribe punishments, explicitly raise justice issues, and members' perceptions of organizational justice figure significantly in a variety of organizational phenomena (e.g., job and pay satisfaction, commitment to the organization, organizational citizenship, etc.). A focus on how codes affect justice perceptions, in short, provides a test of the kind of impact codes may have in an organization apart from their formally specified purpose of encouraging ethical behavior. Questions of how code design affects members' recall of code content, however, directly address one of the preconditions of a code's effectiveness in fostering ethical behavior. The study, in summary, addresses the impact of code design on a precondition for the formal effectiveness of codes (content recall) *and* on the development of perceptions which have wide-ranging repercussions for organizational behavior.

### Content recall and code effectiveness

Ethics governance programs, including codes of ethics, ostensibly are developed as tools for bringing some degree of uniformity and pro-

priety to members' performance of organizational roles (Gatewood and Carroll, 1991). If codes are to be effective toward this end, however, it is crucial that organization members recognize, recall, and comprehend the specific content of a code. Content recall and comprehension constitute necessary conditions for members' *autonomous* compliance with a code. If a person is routinely to comply with a code *without* being subject to constant supervision and guidance by other people (thereby eliminating the presumed impetus for a code), the person must recall and understand the code's requirements. Consequently, it is worthwhile to consider how variations in code design effect organization members' grasp of a code's content.

Moreover, it is arguable that organizational research ever could provide conclusive assessments of a code's effectiveness in fostering consistently ethical behavior, in which case the most one can evaluate may be a code's satisfaction of certain *preconditions* for ultimate effectiveness. Measuring ethical or unethical behavior, and in turn linking it to the character of a code, is difficult. Self-reports of ethical behavior and attitudes are subject to serious social desirability biases (Fernandes and Randall, 1992), and consequently may be unreliable measures. Both businesses and individuals may be reticent to make known their ethical failings. But seemingly more objective and reliable measures of ethical behavior, such as indices of illegal behavior or violations of organizational regulations, do not necessarily capture what they are intended to capture. Records of criminal convictions, for example, encompass only those forms of unethical behavior which also are illegal, and even then, only those instances wherein the perpetrator is caught. Experimental manipulations designed to lead some subjects to *observable* ethical or unethical behavior, however, often constitute unethical research designs. But one can measure the impact of codes on behavioral and attitudinal factors which are distinct from but relevant to code compliance, such as code content recall. Desirability biases may corrupt a subject's report of *intentions* to comply with a code, but may not corrupt measures of a subject's *comprehension* of a code.

### Justice perceptions and codes of ethics

The fact that codes are invoked without clear evidence for their effectiveness in fostering consistently ethical behavior suggests that codes do not function *solely* as tools for encouraging organizational ethics. Codes – like other ethics governance activities – may have symbolic or ceremonial functions in modern organizations (Weaver, 1992). Codes are sometimes cited for their value in attracting employees (Brothers, 1991), managing a firm's public image (Manley, 1991), avoiding government regulation (Manley, 1991), and boosting employee morale (Berenbeim, 1987; Manley, 1991). It is possible that codes might fail in their *presumed* purpose of directly furthering ethical behavior, but succeed at one or more of these other functions.

One potential impact of codes, with a wide range of organizational ramifications, centers upon organization members' perceptions of justice in the organization. Codes of ethics explicitly set standards for the quality of relationships among organization members, and between the organization as a whole and specific members. Codes assign responsibilities, benefits, and burdens in organizations, and often establish procedural rules for the evaluation of members' actions. In short, codes of ethics address justice issues in organizations, in which case it is reasonable to ask how variations in codes affect members' perceptions of organizational justice. Perceptions of organizational justice, in turn, have been theoretically and empirically linked to a variety of important actions and attitudes on the part of organization members.

#### *Organizational justice*

Organizational justice theories can be distinguished according to whether they concern proactive or reactive behavior, and the content or process of justice (Greenberg, 1987). Proactive analyses focus on people's efforts to bring about justice. Reactive analyses focus on people's responses to existing unjust conditions. Content theories examine the justice or fairness of the *outcomes* or *results* of organizational processes or

phenomena. Process theories consider not the justice of outcomes, but the justice or fairness of organizational procedures themselves. It is conceivable that a just outcome might follow from an unjust process (e.g., the actions of a benevolent despot). Similarly, unjust outcomes (a content issue) sometimes can follow from just processes (e.g., a criminal is acquitted because of a police department's procedural failures).

Questions of how an ethics code affects perceptions of organizational justice are issues of *reactive* justice, in that they focus on *responses* to a situation's justice, rather than on actions taken *in order to bring about justice* (Greenberg, 1987). Within the reactive category, content and process theories are usually identified, respectively, as theories of distributive and procedural justice (Greenberg, 1987; Greenberg, 1990a; Trevino, 1992). Distributive justice focuses on the character of organizational outcomes, and, in the organizational literature, has its roots in equity theory (Adams, 1965; Deutsch, 1985; cf. Greenberg, 1987, 1990a). People will perceive an organization to be distributively just insofar as they believe that benefits and burdens are fairly assigned within that organization. Procedural justice, by contrast, focuses not on outcomes but on the means or decision-making processes which ultimately generate outcomes (Leventhal, 1976; Lind and Tyler, 1998; Thibaut and Walker, 1975). People will perceive a process to be procedurally just insofar as they believe the process treats people fairly and with respect, for example, by allowing people to argue their cases or express their opinions (Bies and Moag, 1986; Folger and Bies, 1989). Procedural justice incorporates the fairness of both *formal* procedures (Leventhal, 1980; Thibaut and Walker, 1975) and the informal, interpersonal or *interactional* character of decision making (Bies, 1987; Greenberg, 1990a; Bies and Moag, 1986; Tyler and Bies, 1990).

Insofar as codes of ethics affect justice perceptions, they offer one way of managing an organization's image, and thereby satisfy one standard of code effectiveness. But justice perceptions also are theoretically and empirically tied to a variety of organizational behaviors. Procedural justice perceptions have been linked

specifically to organizational commitment (Folger and Konovsky, 1989), trust (Alexander and Ruderman, 1987), and satisfaction with institutions, jobs, and leaders (Fryxell and Gordon, 1989; Alexander and Ruderman, 1987). Distributive justice perceptions have been related to satisfaction with outcomes such as employee pay (Folger and Konovsky, 1989; Greenberg, 1990b). Although distributive justice perceptions are sometimes related to other behavioral indices (e.g., trust in management, intention to turnover, etc.), these relationships are not as strong as in the case of procedural justice perceptions (Dailey and Kirk, 1992). Both forms of justice have been linked theoretically with organizational citizenship and related behaviors, and also with contrary behaviors such as employee theft (Organ, 1988, 1990; Moorman, 1991; Greenberg, 1990b). Empirical tests generally show a stronger role for procedural justice in affecting overall levels of organizational citizenship (Dittrich and Carroll, 1979; Scholl *et al.*, 1987; Farh *et al.*, 1990).

It is at this point that justice perceptions stemming from a code become potentially relevant in indirectly assessing the effectiveness of a code in fostering ethical behavior. Direct tests of intentions to follow codes of ethics are doubtful due to social desirability biases. However, given that organizational citizenship involves factors such as altruism, conscientiousness, and civic virtue (Organ, 1988), it is likely that justice perceptions which promote organizational citizenship will also promote acceptance of and compliance with codes of ethics. Similarly, if perceptions of injustice are associated with phenomena such as employee theft (Greenberg, 1990b), the impact of code design on perceptions of organizational justice becomes relevant to the general effectiveness of a code.

### **Content variations in codes of ethics**

#### *Rationales in codes of ethics*

Prescriptive business ethics literature often recommends (*without* clear ties to supporting evidence) and inclusion of rationales in ethics codes (e.g., Manley, 1991; Landekich, 1989;

Molander, 1987), and actual codes do vary in their invocation of justificatory passages (Cressey and Moore, 1983). Rationales differ in the extent to which they appeal to internal organizational concerns or interests (e.g., organizational traditions, market value of a good reputation, etc.) or external authorizing or legitimating factors (e.g., legal requirements, abstract moral principles, etc.) (Cressey and Moore, 1983). Although it is assumed in the code literature that the presence of a rationale is important for “emphasizing the business organization’s fundamental commitment to ethical conduct” (Molander, 1987, p. 624), whether and how such emphasis has any effect is left unaddressed.

#### *Sanctions in codes of ethics*

Descriptions of sanctions frequently are included in ethics codes (Cressey and Moore, 1983; Berenbeim, 1987), in keeping with some prescriptive analyses (e.g., Benson, 1989; Molander, 1987). But code authors may shun explicit mention of sanctions for several reasons. Sanctions may be thought too obvious to mention – code implementors may assume that people naturally believe code violators will be punished (Cressey and Moore, 1983). On the other hand, some code implementors may believe that compliance with a code is more likely if the code has an aspirational, non-punitive character (Berenbeim, 1987; cf. Frankel, 1989). Due to the lack of empirical testing, however, it is unclear which, if any, of these approaches is effective at achieving one or another organizational goal.

### **Rationales and sanctions in relation to justice perceptions**

#### *Justice perceptions and code rationales*

Multiple studies have shown that perceptions of justice – especially procedural justice – are enhanced when decisions are adequately explained (Bies, 1987; Tyler and Bies, 1989; Bies and Shapiro, 1988). This relationship has several roots. People generally claim a “moral basis for

demanding to know the reasons for an allocation decision" (Bies, 1987, p. 295). By satisfying this demand an organization shows its willingness to treat people justly, and shows that its actions are not morally arbitrary.

Furthermore, explanations or rationales which demonstrate the *necessity* of an action can mute any resulting perceptions of injustice. Such explanations or "social accounts" (Bies, 1987) undermine tendencies to perceive injustice by showing that the action in question is unavoidable (in which case its perpetrator is not culpably unjust), or that the action, contrary to appearances, actually serves some higher but more subtle moral purpose. Social accounts may refer to unavoidable mitigating factors ("We're forced to do this by. . ."), to superordinate goals ("We know you don't like it, but it will benefit society, the company, yourself, etc. because. . ."), to comparisons with others in worse situations, or to straightforward admissions of remorse ("We're sorry. . .") (Bies, 1987).

Code rationales, in short, should affect justice perceptions by satisfying a *procedural* expectation that people have a right to an account of organizationally imposed restrictions, so that they may judge the propriety of the restrictions. Without some kind of explanatory rationale, a code of ethics can appear as an *arbitrary* set of restrictions on individual behavior, with disregard for whatever standards an individual holds. By contrast, the presence of an explanatory rationale shows respect for the moral outlook and procedural expectations of persons subject to the code. As a result,

H<sub>1</sub>: Subjects' perceptions of procedural justice will be higher for codes of ethics which contain explanatory rationales than for those which do not contain explanatory rationales.

#### *Justice perceptions and code sanctions*

Undeserved or excessive punishment should *reduce* perceptions of organizational distributive justice (and with them, social legitimacy), but *failure* to punish, where punishment is appro-

priate, should also reduce perceptions of distributive justice. This is because distributive justice encompasses not only the allocation of rewards, but also the allocation of punishments, i.e., retributive concerns (Trevino, 1992; Sampson, 1986). The role of sanctions in maintaining an established social system (Millar and Vidmar, 1981), along with people's general belief in a just world (Lerner, 1977), suggest that persons will expect or demand some level of retributive justice. The presence of sanctions indicates that due deference has been paid to these expectations; people will "get what they deserve."

An organization which has a code of conduct, but which avoids mentioning or even explicitly eschews sanctions for code violations, runs a risk of violating people's retributive expectations. The organization will be perceived as failing to uphold a moral balance between those who violate standards and those who do not. Consequently, the attachment of appropriate sanctions to a code of ethics should be associated with stronger perceptions of an organization's distributive justice.

H<sub>2</sub>: Subjects' perceptions of organizational distributive justice will be higher for codes with sanctions than for codes without sanctions.

The presence of an explanatory rationale or social account alongside sanctions should suggest that the content of the code – including the sanctions – is not arbitrary, but rather takes into account the circumstances, needs and interests of the organization and its members. Furthermore, where a rationale serves to explain the *necessity* of a code, or justifies the code as serving a higher but more subtle standard of morality or justice, a rationale not only establishes the procedural propriety of a code, but also shows that the outcomes of code compliance and non-compliance – including sanctions – are the best possible ones. A rationale not only should be associated positively with procedural justice, but should positively *moderate* any effect of sanctions on distributive justice perceptions. Although sanctions should generate a perception of distributive justice, that perception should be higher in the presence of a rationale than in its absence.

Such an interaction between the justice impacts of rationales and sanctions is in keeping with prior research, which in general shows an interaction between procedurally and distributively relevant phenomena (Greenberg, 1987; Leventhal, 1980; Moorman, 1991). A given *distribution* is more likely to be seen as fair if it results from fair *procedures* (Leventhal, 1980). Consequently,

H<sub>3</sub>: The presence of a rationale in a code of ethics will positively moderate the effect of sanctions on distributive justice perceptions.

### Rationales and sanctions in relation to content recall

#### *Rationales and recall of do content*

Recipients of a message aimed at attitude or behavior change may react to the content of the message, or instead may respond to the message in light of content-irrelevant factors such as the sender's physical characteristics (Petty and Cacioppo, 1986). The selection of a content-oriented or content-irrelevant approach to a message, and a person's consequent amount of "careful thinking about issue-relevant information" (Petty and Cacioppo, 1986, p. 7), is a function of a number of individual and situational factors, but important among those factors is a person's motivation to examine an argument or message, where motivation in part arises from the personal relevance of the message. Relevance, in short, leads to greater attention to content, and relevance is enhanced insofar as persons see "significant consequences for their own lives" in a message (Apsler and Sears, 1968).

A rationale which makes the content of a code more relevant to individuals, then, should prompt greater attention to the content of the code, and, *ceteris paribus*, greater recall of code content. A code rationale will generate personal relevance insofar as it demonstrates the code's "significant consequences" for people; i.e., the rationale shows the "intrinsic importance" of the code (Sharif and Hovland, 1961). Significant conse-

quences will vary in detail across individuals, but in general we may expect them to encompass one or both of self-interested and altruistic concerns, such as career advancement, personal success, fulfillment of moral principle, etc. A code whose rationale explains the code in terms of a wide range of altruistic and self-interested consequences should be more relevant than a code without such a rationale, and should thus prompt more careful consideration of the code's content. Consequently,

H<sub>4</sub>: Recall of a code's content will be higher when the code contains a rationale relevant to the code's recipients than when it lacks such a rationale.

#### *Sanctions and recall of code content*

Sanctions also can constitute "significant consequences" for code recipients, thereby enhancing code relevance and, ultimately, content recall. But the relationship between fear-arousing message components (such as threats of sanction) and a recipient's attention to a message is complex. On one hand, it is often assumed that "when emotional tension is aroused, the audience will become more highly motivated to accept the reassuring beliefs or recommendations advocated by the communicator" (Janis and Feshback, 1953, p. 78). But early studies by Janis and Feshback (1953) and Leventhal (1970) found conflicting results. The former showed that high-fear messages were less effective in changing beliefs than low-fear messages, while Leventhal found that high-fear messages were more effective *provided* that the message also showed how one might avoid the threatened consequences. More recent studies have agreed with Leventhal (e.g., Sutton, 1982; Petty and Cacioppo, 1981), and recent meta-analyses of the role of fear in message acceptance further confirm Leventhal's general position (Boster and Mongeau, 1984; Sutton, 1982). Since codes of ethics with explicit sanctions *also* present guidelines which, if followed, eliminate the risk of sanctions, code sanctions fall into the category of personally relevant, fear-based messages. Therefore the

presence of sanctions should, by its effects on message relevance, enhance persons' recall of code content. Hence,

H<sub>5</sub>: Recall of code content will be higher when the code explicitly describes sanctions for violations of the code than when it does not include sanctions.

## Methods

### *Subjects and overall design*

The hypotheses were tested in a laboratory study using undergraduate business students. All subjects received copies of the same code of ethics, ostensibly one for a large university. The content of the code dealt with matters such as academic cheating, misuse of university property, alcohol and drug use, etc. (Appendix I). Subjects were advised verbally that the code was not intended for their own university, so as to avoid corrupting their responses by prior positive or negative experiences with their own university's code or administration. They were not informed that the code was fictional, nor were they informed as to the specific focus of the experiment.

The study embodies a multivariate factorial design, with rationale and sanction presence/absence as independent variables, and content recall and perceptions of procedural and distributive justice as dependent variables. Levels of independent variables were built into the design by randomly assigning subjects to different code preambles. These introductory sections varied regarding the presence or absence of statements offering code rationales and describing code sanctions. The 83 subjects participating in the study thus were assigned to one of four groups: without rationale/without sanction; without rationale/with sanction; with rationale/without sanction; with rationale/with sanction. Measures of all dependent variables were obtained from questionnaires distributed to the subjects. All items were measured on five-point Likert scales, anchored by "definitely not true" and "definitely true." Subjects were allowed to review the code

and preamble while answering questions about their perceptions of organizational justice, but copies of the code were collected before distributing that part of the questionnaire dealing with content recall.

### *Dependent variables*

*Perceptions of procedural justice:* The study measured perceptions of procedural justice with a set of eight items, asking whether the subject perceives the university to treat people with respect and dignity, according to established standards (i.e., due process), and with justification or good reason for its actions (Appendix II). Reliability tests for this set of items returned a Cronbach's alpha of 0.74 (Table I).

*Perceptions of distributive justice:* Distributive justice perceptions were measured by a set of eight items inquiring whether the subject perceives the university to treat people equitably, so that people in similar circumstances receive similar rewards or punishments, and so that people generally get what they deserve (Appendix II). Reliability tests for this set of items returned a Cronbach's alpha of 0.73 (Table I).

*Recall of code content:* Code comprehension was measured by a set of ten questions assessing the accuracy of the subjects' recall of the code. Questions covered topics actually in the code (e.g., unauthorized use of University facilities) and topics not in the code (e.g., prohibition of gambling on campus) (Appendix II). This set of measures was provided a reliability measure of Cronbach's alpha = 0.76 (Table I).

### *Independent variables*

*Presence of code rationale:* Rationales justify the existence and content of a code. The experimental code's rationale was framed in terms of *superordinate* goals (Bies, 1987) which incorporate both altruism (e.g., general moral obligations, societal and community welfare) and self-interest (e.g., enhancement of individual

TABLE I  
Summary statistics

Cronbach alpha and intercorrelations			
Variables	Alpha	1	2
1. Procedure justice	0.7368		
2. Distributive justice	0.7325	0.53*	
3. Content recall	0.7549	-0.14	-0.07

\* significant at  $p < 0.01$

Cell size, means and standard deviations

Factor rational	Sanction	Procedure justice			Distributive justice			Content recall		
		<i>n</i>	mean	s.d.	<i>n</i>	mean	s.d.	<i>n</i>	mean	s.d.
Absent	Absent	20	3.00	0.51	20	3.29	0.43	20	4.00	0.59
Absent	Present	22	3.01	0.63	22	3.32	0.46	22	4.17	0.62
Present	Absent	20	3.24	0.61	20	3.14	0.58	20	3.98	0.60
Present	Present	20	3.37	0.36	20	3.43	0.58	19	4.08	0.74
For entire sample:		82	3.15	0.55	82	3.29	0.51	81	4.06	0.63

success and development), in order to maximize relevance to all subjects (Appendix III). The rationale specifically asserted that (1) the university's educational mission obligated it to provide an environment conducive to learning, (2) members of the university community share the same obligations to each other, (3) failure to act ethically will disrupt persons' education, harm the reputation of the university and its members, and reduce the value attached to its educational product, and (4) adherence to the code will enhance the intellectual and practical value of university education, and the welfare and character of students. Where a rationale was not included, its place in the code was filled by a list of other sources of university guidelines (e.g., Administrative Policies Manual, etc. — see Appendix III). The appropriateness and realism of the rationale was evaluated by a second researcher familiar with corporate and academic ethics management programs.

*Presence of sanctions:* If a code, as postulated, is to enhance perceptions of *distributive* justice, it

should indicate that violators of the code have been and will continue to be punished in a fashion *appropriate* to the severity and frequency of their offenses. The "sanctions present" condition was established in the code's preamble by a short paragraph indicating that (1) violators have been and will continue to be punished appropriately (2) the severity of punishment will increase with the severity of infraction, and (3) the severity of punishment will increase for repeat offenders (Appendix III). As in the case of rationales, the appropriateness of the sanction description was evaluated by a second researcher. The "sanctions absent" condition was implemented simply by not mentioning sanctions, on the grounds that it would be a rare code of ethics which *explicitly* eschewed sanctions. ANOVA-based manipulation checks successfully distinguished each level of sanction at each level of rationale, and vice versa (for presence/absence of rationale,  $F_{1, 81} = 127.01$ ,  $p < 0.01$ ; for presence/absence of sanctions,  $F_{1, 81} = 141.08$ ,  $p < 0.01$ ).



**Results**

Table I provides the means, standard deviations, reliability measures and intercorrelations for the dependent variables. The significant correlations between procedural and distributive justice perceptions are consistent with prior studies of organizational justice (Dailey and Kirk, 1992;

Moorman, 1991). Because of the correlations of procedural and distributive justice, the relationships of rationale and sanction to justice perceptions were examined in a  $2 \times 2$  MANOVA. Results for each independent variable, and their interaction, are summarized in Table II. The conceptually and empirically unrelated notion of code content recall was analyzed in a  $2 \times 2$

TABLE II  
Manova results – Effects on justice perceptions

Effect of rationale							
<i>Omnibus multivariate test</i>							
Wilks' lambda	0.88514						
F <sub>2, 77</sub>	4.99578						
p	0.009						
<i>Univariate F-tests with (1, 78) D.F.</i>							
	Hypo. SS	ERR. SS	Hypo MS	Err. MS	F	p	R <sup>2</sup>
Procedural justice	1.849	22.746	1.849	0.292	6.340	0.014	0.075
Distributive justice	0.012	20.533	0.012	0.263	0.046	0.830	0.001
Effect of sanctions							
<i>Omnibus multivariate test</i>							
Wilks' lambda	0.97365						
F <sub>2, 77</sub>	1.04174						
p	0.358						
<i>Univariate F-tests with (1, 78) D.F.</i>							
	Hypo. SS	Err. SS	Hypo. MS	Err. MS	F	p	R <sup>2</sup>
Procedural justice	0.095	22.746	0.095	0.292	0.326	0.570	0.004
Distributive justice	0.537	20.533	0.537	0.263	2.039	0.157	0.025
Effective of rationale X sanction							
<i>Omnibus multivariate test</i>							
Wilks' lambda	0.98418						
F <sub>2, 77</sub>	0.61901						
p	0.541						
<i>Univariate F-tests with (1, 78) D.F.</i>							
	Hypo. SS	Err. SS	Hypo. MS	Err. MS	F	p	R <sup>2</sup>
Procedural justice	0.066	22.746	0.066	0.292	0.227	0.635	0.003
Distributive justice	0.323	20.533	0.323	0.263	1.226	0.272	0.015

ANOVA, the results of which are summarized in Table III.

#### *Rationales and procedural justice perceptions*

Hypothesis 1 postulates that subjects' perceptions of organizational procedural justice will be higher for codes which contain justificatory rationales than for those which do not. The omnibus MANOVA results with code rationale as the independent variable were significant at the 0.01 level (Wilks' lambda = 0.88514;  $F_{2,77} = 4.99578$ ;  $p = 0.009$ ). Univariate F-tests of the relationship of code rationale to *procedural* justice perceptions showed a positive relationship, and were significant at the 0.05 level ( $R^2 = 0.075$ ,  $F_{1,78} = 6.340$ ,  $p = 0.014$ ). Univariate F-tests in the context of an overall significant MANOVA can increase the likelihood of type I error, because the tests are performed both for those variables where there are significant relationships *and* for those where there may not be significant relationships (Bray and Maxwell, 1985). Consequently the alpha-level used to judge significance should be lowered. Bonferroni's procedure to protect against such increased experiment-wise error involves reducing alpha to  $\alpha/k$ , where  $k$  is the number of dependent variables (or the number of univariate tests). Bonferroni's procedure would replace the  $\alpha = 0.05$  level in this case with  $\alpha = 0.025$ , but the results for perceptions of procedural justice are still significant ( $p = 0.014$ ).

These findings support the claim that including a rationale in a code of ethics is associated with higher perceptions of organizational *procedural* justice on the part of code recipients. The value for  $R^2$  ( $R^2 = 0.075$ ), however, is small.

Given the significant omnibus MANOVA, it also is legitimate to examine the results for the relationship of a rationale to distributive justice perceptions. However, the univariate results for the effect of rationales on distributive justice perceptions were not significant.

#### *Rationale, sanction and distributive justice perceptions*

Hypothesis 3 postulated an interactive effect of rationales and sanctions on distributive justice perceptions. However, omnibus MANOVA results for the interaction were non-significant (Wilks' lambda = 0.98418,  $F_{2,77} = 0.61901$ ,  $p = 0.541$ ). Univariate results for the theoretical interaction effect predicted in hypothesis 3 also were non-significant ( $R^2 = 0.015$ ;  $F_{1,78} = 1.226$ ;  $p = 0.272$ ).

Although the interaction of rationale and sanction has no significant relationship to distributive justice, there could still be a main effect for sanction, as predicted in hypothesis 2. Omnibus MANOVA results for sanctions failed to generate significant results (Wilks' lambda = 0.97365,  $F_{2,77} = 1.04174$ ,  $p = 0.358$ ). Univariate tests of the sanction-distributive justice relationship were also non-significant ( $R^2 = 0.025$ ,  $F_{1,78} = 2.039$ ,  $p = 0.157$ ).

TABLE III  
ANOVA results – Effects on content recall

Source	SS	DF	MS	F	<i>p</i>
Main effects	0.529	2	0.265	0.656	0.522
Rational	0.045	1	0.045	0.113	0.738
Sanction	0.477	1	0.477	1.181	0.281
Rational X sanction	0.035	1	0.035	0.086	0.770
Total explained	0.564	3	0.188	0.466	0.707
Residual	31.479	78	0.404		
Total	32.043	81	0.396		

*Rationale, sanctions, and content recall*

Hypotheses 4 and 5 suggested that the presence of rationales and sanctions, respectively, would foster greater attention to, and thus recall of, the content of a code of ethics. A  $2 \times 2$  omnibus ANOVA offered no support for significant relations between content recall and rationales, sanctions or their interaction ( $F_{3,78} = 0.466, p = 0.707$ ). The specifically hypothesized relations (e.e., main effects for sanction and rationale) were also non-significant. For presence/absence of a rationale, results were  $F_{1,78} = 0.113, p = 0.738$ . For presence/absence of sanction, results were  $F_{1,78} = 1.181, p = 0.281$ . The study offers no support for the position that rationales and sanctions in codes of ethics enhance code recipients' grasp of a code's specific regulations.

**Discussion**

Codes of ethics vary in format and content across organizations, and much significance sometimes is made of code design variations (e.g., Raiborn and Payne, 1990; Manley, 1992; Molander, 1987). The results of this study indicate, however, that some variations in code design show little relationship to a select range of recipient characteristics, despite theoretical grounds for suspecting a relationship. Although it would be premature to dismiss potential effects from other variations in code design, the present results recommend that further testing is in order before too much importance is made of code design issues in ethics governance activities. As discussed below, it is possible that certain aspects of the experiment itself contributed to the surprising findings. But the study's results *also* constitute a warning to researchers and practitioners to reconsider their conceptualization of the role and functioning of codes of ethics.

*Code rationales and procedural justice perceptions*

The presence or absence of code rationale did show a statistically significant relationship to procedural justice perceptions. This shows that

there is some value in an organization's attempting to justify its code of ethics. A rationale may indicate that the organization gives careful consideration to its actions, so that, even if its actions are *distributively* unjust, they at least are not capricious or arbitrary. A rationale also may suggest to members that the organization views them as people to be respected and reasoned with, rather than merely directed and controlled. The rationale of a code ostensibly sends a message to others regarding the organization's overall standards in dealing with people, a message relevant both to individual behavioral phenomena such as organizational citizenship, and to the organization's overall image.

Nevertheless, the message apparently is not a strong one. Organizations may be disappointed if they expect a major improvement in persons' perceptions of organizational procedural justice simply by adding a rationale or justification to an ethics code. The results show that variations in codes of ethics in and of themselves can make some difference in perceptions of organizational justice, but in the grand scheme of things, it appears to be a small difference. This is in keeping with the fact that in any actual organization, the message contained in a code of ethics must compete with a variety of other messages for the attention and acceptance of organization members. Organizational cultures, other formal policies, peer influences, leadership, etc. all can and will influence both employees' ethics and employees' perceptions of the organization (Trevino, 1990). This is not to say that variations in a code might or might not strongly affect persons' perceptions of the justice of the *code itself* (rather than of the organization); that question has not been examined. But organizations which invoke codes of ethics presumably are concerned with a code's role in and impact on the organization, and not with a code in isolation.

*Code sanctions and distributive justice*

The failure of sanctions to affect distributive justice perceptions, with or without moderation by rationales, may reflect one or more of several factors:

- (1) The study may have fallen victim to problems of external validity. The artificial nature of a laboratory setting may have reduced the realism of the study, thus reducing the applicability of a more realistically rooted theoretical framework. The restricted range of some dependent variables suggests that this may have been the case. An alternative research design might avoid this problem. For example, subjects might evaluate distributive justice in a third-person ethical narrative more easily than they can take on the role of hypothetical organization members.
- (2) The failure to demonstrate effects for sanctions may reflect the fact that a code can incorporate only a *promise* of sanction, and thus a *promise* to uphold distributive justice expectations. What actually may matter to people is not such promises, but whether or not an organization in fact *delivers* on the promises. Actually observing punishment incidents does influence people's attitudes (Schnake, 1987; Schnake and Dumler, 1990; Trevino and Ball, 1992). But all a code can offer is a promise of punishment, and that in itself provides no guarantee that justice expectations will be met. A code's promise of sanction may prompt strong distributive justice perceptions among members of an organization known for making good on its promises. But such a promise in an organization not known for carrying out promises may have no effects, or negative effects, on members' justice perceptions.
- (3) It is possible that given no explicit reference to sanctions, subjects nevertheless assumed there would be sanctions for code offenders. This can occur despite the fact that subjects correctly describe a code as not *mentioning* sanctions. Subjects may have developed outcome expectancies rooted in their previous exposure to or knowledge of the use of sanctions in organizations, so that they will assume such punishment occurs even when it is not explicitly indicated (Trevino and Youngblood, 1990; Trevino and Ball, 1992). Consequently

there might be no differences among the subjects' *de facto* levels of sanction. This possibility entails that future studies of codes should carefully monitor and control for the assumptions which subjects bring to the inquiry; such assumptions can constitute a functional surrogate for organizational context.

- (4) Variations in code design of the sort used in this study simply may constitute weak manipulations. The differences in code content may not be dramatic or salient enough to have an impact on persons' responses. Nevertheless, they are *realistic* manipulations, insofar as many codes either fail to mention sanctions, or else merely mention the application of "appropriate" punishments. Commonly invoked code components, it seems, may have less capacity by themselves to affect organization members than generally is supposed. A much more forceful presentation of sanctions may be necessary to have the theoretically postulated impact.

#### *Rationale, sanction and comprehension*

The presence or absence of rationales and sanctions had no significant relationship to subjects' accurate recall of code content, despite theoretical justification for expecting a connection. The influence of other factors affecting content recall – e.g., intelligence, past familiarity with the subject, sensitivity to threats, etc. – should have been minimized by the random assignment of subjects to factor levels. But as in the case of the relationship of sanctions to justice perceptions, the artificiality of the laboratory setting may have undermined the results, so that the content of the code was too far removed from the actual or potential experience of the study's subjects. Effective recall may require repeated exposure to a code, or reformulation of a code in a fashion which *further* enhances the code recipients' likelihood of dwelling on or mentally elaborating a code's content. For example, ethical guidelines presented in a series of highly relevant, personalized written scenarios

may prove more effective in fostering recall than the simple list of behavioral rules considered in this study. Given the lack of content recall in this study, one might also suspect that short, generalized organizational ethical “credos” (Berenbeim, 1987, 1992), which do little more than briefly express some overall value orientation, may in the long run prove just as effective as longer, formal lists of rules.

#### *Generalizability issues*

The academic setting of the experiment limits the generalizability of the results to other settings (e.g., business organizations). It may be that a different set of subjects, perhaps with significant employment histories, experience with legal or regulatory demands, greater decision-making responsibilities, etc., would generate different results. Such hypothetical differences would be in keeping with the observation that codes’ effects are influenced by their organizational settings.

#### **Redirecting codes and code research**

This study was designed to evaluate the relationship between certain formal characteristics of ethics codes and particular responses by individuals. The study was not intended to consider the possible effects of variations in whether or not an organization *has a code at all*. It may be that any kind of code – with or without rationales or sanctions – generates justice perceptions different from those that occur in the absence of a code. The present study assumes a code, and questions only how it ought to be designed.

Given a code, however, the results suggest that design issues concerning rationales or sanctions are not as obviously consequential as is often thought, at least from the standpoint of content recall and justice perceptions. The presence or absence of sanction descriptions, for example, may not affect justice perceptions because their impact depends on the assumptions individuals bring to a disciplinary scenario, and on the overall organizational context, including past

organizational actions vis-à-vis sanctions. An artificial laboratory setting using a hypothetical example does not provide a realistic organizational context, and so an ethics code is, in a sense, meaningless when viewed in such detached or disembodied fashion. If so, these results contain an important lesson both for future ethics code research and for practitioner-oriented discussions, in that *at least some ethics code design issues cannot be considered in isolation from an intended organizational context*. Code design, in short, may need to be heavily contextualized. This conclusion is in keeping with other claims that ethics management activities need to be considered in a comprehensive, holistic fashion (Trevino, 1990).

Although the results of the study suggest that attention be directed toward the role of codes in specific organizational contexts, it is also possible that regardless of context, the kinds of code design alternatives considered herein simply do not matter. Although the test instrument was based on statements from an actual organization’s code, and although many organizations’ codes constitute simple lists of proper and improper behavior prefaced by a general reference to company goals or the existence of sanctions, that format may lend itself to not being taken seriously by code recipients. Within the confines of an abstract, highly formal style of ethics code, content variations may prompt little response because *the overall format encourages little careful consideration on the part of organization members*. The format simply may lack sufficient salience for persons who live and work in organizational settings which subject them to numerous and conflicting pressures (economic, political, etc.). In light of this possibility, future ethics code research should consider a more radically varied array of design options. Such options include presenting guidelines in the form of *personalized* scenarios or *contextualized* question-and-answer formats. For example, Northrop Corporation’s code uses such an approach, presenting and answering realistic, and often company- or industry-specific, personal dilemmas such as the following: Question: “My son works for a Northrop supplier. Is this a conflict of interest?” Answer: “Not unless you or your department

could influence Northrop's contracts with this supplier" (Northrop, 1991, p. 15).

Alternatively, it may be that questions of organizational justice and code content are *irrelevant* to many of the people confronted with a code because such concerns do not reflect their conceptions of the role or function of organizational codes. Just as information gathering processes in organizations may have multiple, often symbolic roles (Feldman and March, 1981), so ethics codes may be largely symbolic devices, decoupled from everyday organizational tasks (Weaver, 1992). For individuals with such a view of codes, actual code content may be irrelevant. For organizations which pursue codes for symbolic reasons, any kind of code, with or without rationales or sanctions, may suffice, *even if organizational members are in no way affected by the code*. What holds for the design of purely symbolic codes, then, may not hold for the design of task-oriented codes, and future research must consider codes' multifarious roles in organizations. Moreover, people may see no role for ethics codes which comprise a sterile, apparently rigid list of rules. Such codes may be viewed as too idealistic when compared to the daily pressures and demands of organizational life and the complexities of moral decision making (Toulmin, 1981).

In general, if people envision purposes for ethics codes which have little to do with the content of a code, or consider ethics codes in general to be irrelevant to organizational life, we should recognize that investigations of the impact of content variations may reveal little or no impact. Ethics code research must avoid assuming an overly rationalistic view of codes as practical tools for guiding and evaluating organizational behavior (e.g., Gatewood and Carroll, 1991), and must be more ready to see codes as serving a multiplicity of organizational functions. To focus on their content may be to focus on the more irrelevant aspect of codes, just as focusing on the accuracy of performance appraisal techniques misses the often political purposes of employee appraisals (Longenecker *et al.*, 1987).

The foregoing possibilities, all of which constitute potential threats to the external validity of a laboratory study of codes, suggest that future

ethics code research should consider not only alternative code designs, but alternative research designs, settings, and conceptions of code performance. Interviews with persons in organizations using ethics codes may better reveal whether or not codes actually are thought of as reflections of organizational justice commitments, as symbolic legitimating devices, or as simply irrelevant to organizational life. Such exploratory, qualitative inquiries may be followed by scenario-based studies which avoid the difficulties of getting subjects to apply a hypothetical code to themselves. Future studies also should introduce a variety of cognitive and attitudinal controls: e.g., whether or not the subject thinks all codes are symbolic "window dressing," whether or not the rationale indeed appears relevant to the subject, whether or not sanctions were *assumed*, or whether or not sanctions actually were perceived by the subject as threatening. Finally, depending on the results of these kinds of inquiries, researchers may wish to consider just how essential ethics codes are to the multiple functions of ethics management programs. At this point in their history, the fact that codes are prominent parts of ethics management programs may reflect more their institutional entrenchment than their practical efficacy.

## Conclusion

Codes of ethics have assumed a prominent position in ethics governance programs, and this study contributes to our understanding of ethics codes by focusing on the relationship between ethics code design and recipients' responses. Although a small relationship is visible between the presence of a code rationale and persons' perceptions of an organization's procedural justice, in general the study shows that in and of themselves, common alterations in codes of ethics are of little consequence for the tested set of individual perceptions and beliefs. This is in contrast to most non-empirical literature on codes of ethics, which emphasizes the importance of design factors in codes of ethics. A potential resolution of this conflict can be provided by realizing that codes can have

multiple functions in an organization, and that organizational context can greatly influence people's interpretations of and responses to codes of ethics or other formal policies. This means, however, that traditional prescriptions for ethics code design are of uncertain value apart from further research which unearths the relationships between the intended and perceived purposes of codes, the organizational settings in which they are applied, and a wide variety of code designs.

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### Appendix I – Specific requirements of the code of conduct

The University Code of Conduct expressly prohibits all of the following actions:

1. Violation of written University policy or regulations contained in any official publication or administrative announcement of the University;
2. Academic dishonesty, including, but not limited to, cheating and plagiarism;
3. Disruption of operations of the University;
4. Harassment of an individual or group, where harassment is defined as a course of conduct which subjects a person or group of persons to unwanted physical contact or the threat of such contact, or which seriously threatens or alarms a person or group;
5. Furnishing false information to the University or other similar forms of dishonesty in University-regulated affairs, including knowingly making false oral or written statements to any University hearing body;
6. Forgery, alteration, destruction or misuse of University documents, records, identification cards, or papers;
7. Failure to comply with directions of or to present identification to University officials acting in the performance of their duties, or refusal to respond to a request to report to an administrative office;
8. Unauthorized entry into or use of University facilities;
9. Use, possession, or carrying of firearms, dangerous knives, explosives or other dangerous weapons while on University-owned or controlled property, or at University-sponsored or supervised activities, except by authorized law officers and other persons specifically authorized by the University;
10. Use, possession, or distribution of alcoholic beverages on University property, except as permitted in the University "Policy Statement on Beverages Containing Alcohol";
11. Use, possession, distribution or being under the influence of controlled substances or unlawful drugs,;
12. Theft of or damage to property of the University or to property of any of its members or visitors or knowing possession of stolen property;
13. Sexual assault and abuse;
14. Physical abuse of any person;
15. Disorderly conduct or lewd, indecent or obscene behavior;
16. Sexual Harassment as defined in the University "Policy Statement on Sexual Harassment";
17. Causing or participating in hazing;
18. Aiding, abetting, or attempting to commit an act or action that would constitute an offense under any provision of this Code of Conduct.
19. Conduct that threatens or endangers the health or safety of a person.
20. Behavior that would constitute a violation of local, state or federal law on University property, or off campus when such behavior has a substantial adverse effect upon the University or upon individual members of the University community.

### Appendix II – Dependent variable measures

#### *Procedural justice items*

1. In its dealings with students, the University of XYZ clearly communicates its expectations.
2. In its dealings with students, the University of XYZ explains its decisions and actions.
3. In its dealings with students, the University of XYZ communicates the basis for its decisions and actions.
4. In its dealings with students, the University of XYZ always tries to justify its decisions and actions.
5. The University of XYZ respects people's rights.

6. The University of XYZ treats people with dignity.
7. The University of XYZ acts reasonably toward students.
8. The University of XYZ treats people with respect.

*Distributive justice items*

1. The University of XYZ treats people equitably.
2. The University of XYZ does not treat people differently without some justification for doing so.
3. At the University of XYZ, people get what they deserve.
4. The University of XYZ places fair responsibilities and demands on people.
5. At the University of XYZ, people who always do what is right suffer in comparison to others.
6. At the University of XYZ, the discipline some people receive is harsher than what others get in the same situation.
7. At the University of XYZ, people who do what is wrong usually can manage to get away with it.
8. At the University of XYZ, people are liable to get ahead even when they do not deserve to.

*Content recall items*

1. The Code of Conduct prohibits unauthorized use of the University of XYZ's name or symbols.
2. The Code of Conduct prohibits plagiarism.
3. The Code of Conduct expressly prohibits gambling on campus.
4. The Code of Conduct prohibits solicitation by religious organizations.
5. The Code of Conduct prohibits all use of alcoholic beverages.
6. The Code of Conduct requires students to diligently complete assignments.
7. The Code of Conduct requires students to report any cheating they observe.
8. The University of XYZ has a separate "Policy Statement on Drugs".
9. The Code of Conduct prohibits asking other students for assistance on homework assignments.
10. The Code of Conduct requires students to carry a University of XYZ identification card at all times they are on campus.

### **Appendix III – Code prefaces regarding rationale and sanction**

*Preface stating the code's rationale:*

As an institution of learning and a community of persons with a special purpose, the University accepts its obligation to provide for its members an atmosphere that protects and promotes its educational mission and which guarantees its orderly and effective operation. All members of the University community share basic rights and duties as members of society in general, and as contributors to the search for truth and its free presentation. Only by conducting our activities in accordance with the highest ethical standards can our educational goals be achieved. Failing to exercise high standards of behavior can only serve to disrupt the educational process, to reduce the value of a University education, and to weaken the reputation of the University and all persons associated with it. Consequently it is important to articulate a number of basic principles essential to university life. By allowing this Code of Conduct to guide our actions, we can be assured of enhancing both the intellectual and practical value of a University education, and the welfare and character of those who pursue such education.

*Preface in lieu of a rationale (placebo):*

The following University Code of Ethics addresses a number of aspects of University life. However, it is not intended to include all University policies. Other important policies, rules and procedures can be found in such publications as the *Undergraduate Degree Programs Bulletin*, the *Graduate Degree Programs Bulletin*, the *Administrative Policy Manual*, and the *Continuing Education Programs Manual*. Some individual colleges within the University also have their own sets of rules, policies and procedures governing the special circumstances of study, teaching and research in those colleges. Members of the University community are advised to check with their own departments and colleges in order to determine the nature of any such additional rules, policies and procedures. Note that University standards of conduct do not replace or relieve any other requirements or guidelines to which you may be subject, whether issued by governments or private agencies or associations.

*Preface stating code sanctions:*

Violations of the Code of Conduct will result in disciplinary actions. Disciplinary actions taken by the University in recent years have ranged from simple



verbal reprimand to dismissal from the University, and in some cases to civil or criminal prosecution in State or Federal courts. Disciplinary actions will be appropriate to the seriousness of the offense. More serious and/or repeated violations justify increasingly severe sanctions.

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