

# Ethical Codes of Conduct and Organizational Context: A Study of the Relationship Between Codes of Conduct, Employee Behavior and Organizational Values

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**ABSTRACT.** Codes of ethics are being increasingly adopted in organizations worldwide, yet their effects on employee perceptions and behavior have not been thoroughly addressed. This study used a sample of 613 management accountants drawn from the United States to study the relationship between corporate and professional codes of ethics and employee attitudes and behaviors. The presence of corporate codes of ethics was associated with less perceived wrongdoing in organizations, but not with an increased propensity to report observed unethical behavior. Further, organizations that adopted formal codes of ethics exhibited value orientations that went beyond financial performance to include responsibility to the commonweal. In contrast to corporate codes of ethics, professional codes of ethical conduct had no influence on perceived wrongdoing in organization nor these codes affect the propensity to report observed unethical activities.

**KEY WORDS:** codes of ethics, organizational values, wrongdoing

A growing interest in codes of ethics in organizations is evident over the past few decades. Research on this topic is characterized by several themes representing distinct lines of inquiry. One central theme concerns the characteristics of effective codes of ethics in terms of promoting ethical behavior in organizations. Individual studies have been both normative and empirical. Normative work has provided excellent guide-

lines for practitioners faced with the tasks of developing and implementing codes of ethics (e.g., Murphy, 1995) while empirical work has focused on the properties of existing codes (e.g., Montoya and Richard, 1994). A second theme which has emerged in studies of codes of ethics is their prevalence; that is, the extent to which ethical codes have been adopted and implemented in specific countries (e.g., White and Montgomery, 1980) or industries (e.g., Berenbeim, 1992). Results, to date, indicate that about three quarters of American firms have adopted formal codes of ethics with the percentage of "adopters" rising steadily over the past two decades (e.g., Fulmer, 1969; White and Montgomery, 1980). Finally, an emergent theme within this general domain concerns the influence of codes of ethics on employee behavior in organizations.

Of these three themes, the behavioral element appears to be the least researched topic area with considerably fewer studies addressing the influence of ethical codes on employee behaviors and attitudes (Cassell et al., 1997). Studying the behavioral and contextual elements of codes of ethics in organizations necessarily broadens the scope of research on this topic because it is widely accepted that corporate codes of conduct are only one influence of ethical behavior in organizations. Specifically, such behavior is also affected by the ethical codes of other groups relevant to the work place such occupational and



professional societies, and trade associations (Van Maanen and Barley, 1984).

Perhaps as a consequence of the specialized knowledge and unique power position of professionals in organizations (Scott and Hart, 1977), professional codes of ethics have received almost as much interest as an influence of employee behavior as have corporate codes of ethics. Research focused on professional codes has also mirrored the themes which are evident in studies of corporate codes of ethics. Specifically, the design and development of professional codes of ethics is an area of interest (e.g., Jamal and Bowie, 1995) as are ethical dilemmas associated with professional practice (Brien, 1998).

Research on codes of ethics, in general, thus appears to have a strong emphasis on their content and on the implementation process. These studies have provided a solid foundation that can be used to begin to study the contextual and behavioral aspects of codes of ethics in organizations (Cassell et al., 1997). Contextual factors refer to organization specific properties and qualities that can fall within the rubric of organizational culture and climate (Zalkind, 1987). Behavior, of course, refers to the ethical behavior of individuals in organizations. As such, it seems useful to view exploration of the contextual and behavioral elements of codes of ethics in organizations as a natural progression for research on this topic, and not as a gap in prior research.

This study is grounded in the contextual-behavioral perspective. Consequently, the locus of this research is the individual. Its specific purpose is to examine the influence of corporate and professional codes of ethical on the perceptions and behavior of professionals (i.e., management accounts) in organizations.

### **Codes of ethics and employee behavior**

Assessing the influence of ethical codes in organizations on employee perceptions and activities is central to a behavioral/contextual orientation. As such, while the array of attitudes and behaviors that is of potential interest is broad (Cassell et al., 1997), it must be emphasized that empir-

ical studies operating from the behavioral perspective lag conceptual development work by a large margin. Not surprisingly, most of these studies have been exploratory in nature typically addressing research questions rather than testing formal hypotheses.

One area within the behavioral domain that has received increasing interest is the relationship between the perception of wrongdoing in the organization and the presence or absence of corporate codes of ethics. Corporate codes are hypothesized to inhibit unethical behavior in organizations and empirical studies have consistently supported this proposition (Tsalikis and Fritzsche, 1989; Murphy et al., 1992). That is, employees were less aware of unethical or illegal activity in organizations that adopted formal codes of ethics.

This finding, in turn, is central to the behavioral perspective because it provides some preliminary evidence that codes of ethics have tangible effects in the workplace. Recently, attention has been focused on the processes that underlie this outcome. An area that has received some interest is the interplay between formal and informal control mechanisms in shaping ethical behavior in organizations (Cassell et al., 1997; Brien, 1998). The role of corporate culture and stated organizational values (informal control) is seen as especially relevant to understanding how corporate codes of ethics (formal control) influence the ethical dimension of employee behavior (Zalkind, 1987). Yet, at present, there are few (if any) empirical studies directed toward identifying the underlying value orientations of organizations that have and have not adopted formal codes of ethical conduct.

Assessing the level of employee commitment to organizations with and without ethical codes carries this approach one step further by providing some insight into degree of support for prevailing organizational value orientations (Porter et al., 1974). While there have been a few studies of the relationship between organizational commitment and whistle-blowing (e.g., Somers and Casal, 1994), the role of corporate codes of ethics or that of prevailing organizational values was not considered in these studies. That is, context was not fully considered in these studies

in that it was not clear what values employees were committed to or whether corporate codes of ethics were present.

A behavioral perspective on codes of ethics in organizations is also grounded in the notion that employees are influenced not only by their employer, but by other groups and societies as well, many of which often have their own formal codes of ethics. Most interest has been in professional codes of ethics with the assumption that professional codes of ethics promote ethical behavior in organizations (Jamal and Bowie, 1995). While a long-standing and continuing interest in professional socialization is evident in the occupational sociology literature, studies of the influence of formal professional codes of ethics on employee behavior are very sparse. The context of ethical decision-making and ethical behavior in organizations, thus, is not well understood.

### Hypotheses and research questions

Statement of formal hypotheses is restricted to those research issues where there is sufficient conceptual development and concomitant empirical support to justify them. Research questions represent exploratory areas where theory and/or empirical findings have not advanced to the point where formal hypotheses are appropriate. As much of this study is concerned with under-researched topics, only one formal hypothesis was stated.

H1: Unethical behavior is less prevalent in organizations that have adopted corporate codes of ethics than it is in those organizations that have not formally adopted such codes.

Theory and previous research findings suggest that formal codes of ethics inhibit unethical behavior in organizations (e.g., Tskalakis and Fritchze, 1989). From a conceptual standpoint corporate codes of ethics are thought to highlight an organization's commitment to promoting ethical behavior thereby acting as part of a socialization process designed to ensure high standards of behavior. Empirical research, in turn, has

supported this proposition in that results indicate less employee awareness of unethical activity in organizations that have adopted formal codes of ethics (Murphy et al., 1992). As such, Hypothesis 1 is grounded in theory and supported by prior research findings. It is anticipated that this study will replicate results from previous studies.

RQ1: Does familiarity with professional codes of ethical conduct influence employee perceptions of unethical behavior in organizations? More specifically, does an employee's knowledge of the content of professional codes of ethics of groups to which that employee is a member affect perceptions of unethical behavior at work?

Professional codes of ethics are hypothesized to inhibit wrongdoing in organizations (Jamal and Bowie, 1995) so that a case can be made that professional codes of ethics act in much the same way as do corporate codes of ethics with respect to unethical behavior in organizations. However, it should be noted that professional socialization is not under the direct control of work organizations (Van Maanen and Barley, 1984) so that extrapolating theory and research on corporate codes of ethics and employee perceptions of wrongdoing to professional codes of ethics is not without problems. In this regard, it is not clear if the socialization process that underpins the adoption of corporate codes of ethics also operates for professional codes of ethics. Further, there seem to be few, if any, empirical studies of how professional codes of ethics influence ethical behavior in organizations.

It is, therefore, not clear at this point if professional codes of ethics do indeed inhibit unethical behavior of members of those professions in organizational settings. As such, this issue of if and how professional codes of ethics influence employee perceptions of wrongdoing appears to be best treated as a research question.

RQ2: What are the value orientations of organizations with and without corporate codes of ethics? Do they differ, and if so, are the differences meaningful?

The organizational context in which corporate codes of ethics are embedded has garnered increasing interest, yet remains an under-researched topic area (Cassell et al., 1997). The notion of organizational value orientation has been used to characterize an organization's stated responsibilities to its various stakeholders (Beatty, 1998). Thus, an organization can adopt a value orientation that focuses mostly on financial results or it may take a more balanced view that includes responsibilities to other stakeholders such as customers, employees and society at large.

It, therefore, seems important to explore whether specific value orientations are related to the adoption of a formal code of ethics. Although speculative, it appears likely that organizational value orientations that go beyond profitability should be associated with the adoption of formal corporate code of ethics.

RQ3: Are employees more committed to organizations that have adopted codes of ethics?

This research question represents a more detailed examination of the contextual issues associated with corporate codes of ethics by addressing an indicator of employee socialization (Porter et al., 1974). In conjunction with RQ2, some insight is gained into the values that employees have internalized. Further, it has been suggested that organizations that have adopted codes of ethics facilitate ethical decision-making for their employees leading to positive work attitudes and possibly to higher levels of organizational commitment (Weeks and Nantel, 1992).

RQ4: Do corporate and professional codes of ethics affect employee behavior with respect to the reporting of unethical activities?

While there is a growing body of literature on the topic of employee whistle-blowing, hypothesized predictors of whistle-blowing have generally focused on employee characteristics and/or organizational structure (Near and Miceli, 1987). This research question addresses the linkage between ethical codes and employee behavior

when faced with tangible evidence of wrongdoing. While theory might justify a formal hypothesis here, the paucity of empirical research argues for a research question instead. Finally, as was the case with RQ1, the influence of both professional and corporate codes of ethics is considered.

## Method

### *Sample*

The sample was drawn from the membership of the Institute of Management Accountants (a professional society based in the United States), and was comprised of 613 management accountants working in a wide array of industries in the United States. Potential participants were contacted by mail and were asked to complete a questionnaire focused on ethical practices at work. They were identified using a 7 percent simple random sampling of the IMA's membership lists, and the 20 percent response rate to the questionnaire yielded 613 usable replies. Replies were completely anonymous.

Respondents were primarily male (81%) with a mean age of approximately 40 years. Over half of the sample (56%) had 6 or more years experience in their present jobs, 36 percent had a job tenure of 1 to 6 years, and only 8 percent held their present jobs for less than one year. Over three-quarters of the sample (76%) were at middle or senior management levels in their organizations (12 percent were first-line supervisors and 12 percent had no supervisory responsibility) so that 88 percent of those sampled had direct supervisory responsibility in their respective organizations.

Breakdown with respect to primary area of job responsibility is as follows: general management (15%), corporate accounting (28%), public accounting (7%), general accounting (15%), cost accounting (8%), risk management (7%), budget and planning (3%), tax accounting (3%), internal auditing (3%), and accounting systems and technologies (12%). The following industries were represented in the sample: agriculture, forestry and fisheries (2%), mining (1%), contract

construction (3%), manufacturing (40%), transportation, communications and utilities (8%), wholesale and retail trade (10%), and finance, real estate and insurance (36%).

### Measures

*Codes of ethics.* Unlike many previous studies which used objective indicators, employee perceptions were used to determine the presence or absence of a formal corporate code of ethics. This was accomplished with a single-item indicator which gave respondents one of three choices as to whether their firm had a “published code of ethics for its employees” which included: “yes”, “no” and “don’t know.”

Respondent perceptions were also used to assess familiarity with the IMA’s Standards of Ethical Conduct for Management Accountants. A single-item indicator was used with three alternatives: “very familiar”, “somewhat familiar”, and “not at all familiar.”

*Awareness and reporting of organizational wrongdoing.* Awareness of wrongdoing was measured by asking respondents if they had “personally observed or obtained direct evidence” of financial fraud in their present organizations within the last five years. Financial fraud was chosen as an indicator of wrongdoing because of its centrality to accounting, and it was operationalized with Bologna’s (1984) typology which includes ten forms of financial fraud (e.g., embezzlement of assets, understating expenses or liabilities). Respondents who observed at least one of the ten forms of financial fraud were classified as aware of wrongdoing.

Based on their responses to the measure of awareness of wrongdoing, 340 respondents had observed wrongdoing in their organizations. These respondents were then asked whether or not they had reported the observed wrongdoing with a single item with a binary response of “yes” or “no.” About 35% (121 of 340) of those respondents aware of wrongdoing in their organizations reported it.

*Perceptions of organizational values.* Employee perceptions of organizational values was measured with an item from Aupperle’s (1984) Corporate Social Responsibility Scale. Respondents were asked to rank the relative importance that their organizations placed on the following value-based activities: be as profitable as possible; engage in voluntary and charitable contributions; abide by laws and regulations; and behave morally and ethically.

*Organizational commitment.* The short form of the Organizational Commitment Questionnaire was used to measure employee commitment to their organizations. This measure is based on Porter et al.’s (1974) definition of commitment as the “relative strength of an individual’s identification with and involvement in a particular organization” (Mowday et al., 1979). Commitment includes acceptance of and support for organizational values (Porter et al., 1974) ( $\alpha = 0.92$ ).

### Statistical analyses

Tests of hypotheses and research questions required comparisons between observed frequencies or means across groups. Comparisons between observed frequencies were evaluated with chi square analysis with results reported as percentages rather than as raw frequencies. Comparisons between means were analyzed with multivariate and univariate analysis of variance.

## Results

Hypothesis 1 was supported in that respondents in organizations with formal codes of ethics were less aware of wrongdoing than were respondents in organizations without formal codes of ethics. Specifically, a significantly smaller percentage of respondents (40.5 percent) in organizations that had corporate codes of ethics were aware of unethical activity in their organizations when compared to the percentage of respondents in organizations without a code of ethics who were aware of wrongdoing (65 percent) ( $\chi^2 = 13.65$  2 df,  $p < 0.01$ , See Table I).

Research Question 1 served as an extension of Hypothesis 1 by assessing the influence of professional codes of ethics on awareness of unethical behavior in organizations. The non-significant results suggest that professional codes of ethics have little or no relationship to employee awareness of wrongdoing in organizations (See Table II).

Research Questions 2 and 3 were focused on contextual factors associated with the presence or absence of corporate codes of ethics. Research Question 2 addressed underlying corporate value orientations while Research Question 3 examined differences in levels of organizational commitment. As several dimensions of corporate values were examined, data were analyzed with Multivariate Analysis of Variance (MANOVA). MANOVA corrects for Type 1 errors when testing differences among a set of variables across two or more groups. The multivariate F was statistically significant ( $F = 2.828, 1212 \text{ df}, p < 0.001$ ) indicating that differences among the groups (codes of ethics, no code of ethics and not sure) were present.

Follow-up analyses using univariate F statistics from ANOVA models were used to determine where significant differences between the groups are present. Means for each value statement across the three groups are presented in Table III with significant differences among groups denoted by asterisks. Results indicate that organizations with and without corporate codes of ethics differed on three of the four value statements (emphasis on profitability, charitable contributions, and moral behavior) with each value statement being rated as more important in the organizations that adopted formal ethical codes.

Research Question 3 was focused on levels of employee commitment to organizations with and without codes of ethics. As there is only one dependent variable in this case, a simple, one-way ANOVA was used to analyze data. Results indicated that there were significant differences between groups ( $F = 3.892, 594 \text{ df}, p < 0.05$ ) with organizations that have adopted formal codes of ethics demonstrating the highest level of employee commitment. Specifically, the mean level of commitment was 3.65 for these organi-

TABLE I  
Awareness of wrongdoing in the organization and the presence of corporate codes of ethics

	Corporate code of ethics		
	Yes	No	Don't know
Percent unaware of wrongdoing	59.5	35	47.1
Percent aware of wrongdoing	40.5	65	52.9

$\chi^2 = 13.05; p < 0.05; N = 613.$

TABLE II  
Awareness of wrongdoing in the organization and familiarity with professional codes of ethics

	Professional code of ethics		
	Very familiar	Somewhat familiar	Not familiar
Percent unaware of wrongdoing	40.5	44.5	45
Percent aware of wrongdoing	59.5	54.6	55

$\chi^2 = 2.77; p > 0.05; N = 613.$

zations, 3.45 in organizations without formal codes of ethics and 3.53 in organizations where respondents were not sure if a code was adopted.

Finally, Research Question 4 was concerned with the relationship between the reporting of observed wrongdoing and codes of ethics (both corporate and professional), Results indicated that neither the presence of corporate codes of ethics nor a high level of familiarity with the Institute of Management Accountants' code of ethics had any influence on employee propen-

sity to report observed wrongdoing. These findings are summarized in Table IV.

**Discussion**

As research on the topic of codes of ethics in organizations has progressed, a growing interest in behavioral and contextual issues associated with ethical codes of conduct is evident in the recent literature. This development can be

TABLE III  
Comparisons of mean importance ratings of corporate value statements from MANOVA

Value statement	Corporate code of ethics		
	Yes <i>n</i> = 44	No <i>n</i> = 305	Don't know <i>n</i> = 264
1. Be as profitable as possible	2.61*	3.06	2.89
2. Engage in charitable contributions	1.15*	1.28	1.17
3. Abide by laws and regulations	2.68	2.55	2.67
4. Behave morally and ethically	3.25*	3.06	3.25

Notes. \**p* < 0.05; All significant differences are between the "yes" and "no" groups; that is, organizations where respondents were aware and unaware of a corporate code of ethics. Multivariate *F* = 2.82 (8, 1212 df), *p* < 0.001.

TABLE IV  
Reporting of observed wrongdoing and the presence of ethical codes of conduct

	Corporate code of ethics		
	Yes	No	Don't know
Percent who reported wrongdoing	44	35	35
Percent who did not report wrongdoing	56	65	65

$\chi^2 = 0.78; p < 0.05; N = 340.$

	Professional code of ethics		
	Very familiar	Somewhat familiar	Not familiar
Percent who reported wrongdoing	38	32	40
Percent who did not report wrongdoing	62	68	60

$\chi^2 = 0.45; p > 0.05; N = 340.$

viewed as a natural progression of a research stream that began when scholars began to investigate the implications of formal codes of ethical conduct for both individuals and for organizations. The first phase of this research was (appropriately) focused on the content, adoption and communication of ethical codes, particularly corporate codes of ethics (Cassell et al., 1997). Continued progress in this area, in turn, has provided a solid foundation that is well suited to exploring behavioral and contextual issues associated with codes of ethics in organizations.

The present study was grounded in the behavioral perspective. As such, ethical codes were analyzed as antecedent variables (in relation to employee behaviors and contextual characteristics of organizations) rather than defined as the focal or outcome variables that typify most prior research on this topic area. Thus, the primary focus of our research issues and concomitant data analyses is on (potential) relationships between codes of ethics in organizations, contextual characteristics of organizations and employee behaviors.

It seems most useful to organize the discussion around these behavioral and contextual themes. These themes are subsumed under one formal hypothesis and four research questions, the latter resulting from the paucity of empirical work in this specific area (Weeks and Nantel, 1992). As behavioral issues have received somewhat more attention in the literature (with respect to conceptual development and empirical studies), they represent a good starting point to consider the implications of our findings.

One topic area that is primary behavioral in nature and which has received a good deal of research attention concerns the degree of employee awareness of unethical activity in organizations that have and have not adopted formal codes of ethics. Prior findings clearly indicate that awareness of unethical activity is less prevalent in organizations that have adopted codes of ethics (Murphy et al., 1992). This study provided additional support for this proposition in that employees in organizations that had adopted corporate codes of ethics were significantly less aware of wrongdoing than were employee

in organizations without codes of ethical conduct.

While this result is encouraging, an ancillary finding associated with it raises some cause for concern. Specifically, only 8 percent of study participants reported that their organizations had formal codes of ethics. This finding stands in sharp contrast to previous research findings indicating that nearly 75 percent of American organizations adopted corporate codes of ethics (White and Montgomery, 1980). Thus, considerable slippage is evident when the unit of analysis changes from the organization to the employee suggesting that communication and reinforcement of corporate codes of ethics badly lags their adoption. This interpretation is supported by our additional finding that 42 percent of study participants were "not sure" if their organizations had adopted a code of ethics.

As there is far less empirical research on the topic, a formal hypothesis concerning the relationship between professional codes of ethics and employee awareness of wrongdoing was not appropriate. While it had been suggested that professional codes of ethics operate in much the same way as do corporate codes with respect to employee awareness of unethical activity in organizations (Ferrell and Greshan, 1985), this study indicated that there was no relationship between knowledge of a professional code of ethics and awareness of organizational wrongdoing.

As there has been little or no prior research exploring the relationship between familiarity with professional codes of ethics and awareness of unethical activity in organizations, there is not much of an interpretative context to draw upon. There are, however, some methodological issues that are germane to this finding. Specifically, it can be noted that the Institute of Management Accountants has a detailed, clear and well communicated code of ethical conduct so that members should be aware of it. Indeed, nearly 90 percent of study participants reported that they were very familiar or familiar with the Association's code of ethical conduct. In addition, it can be noted that awareness of unethical activity was restricted to issues related to professional practice thereby eliminating possible confusion between general unethical conduct and

unethical behavior tied to the profession. That having been said, it is especially important to be circumspect when interpreting non-significant findings, especially with an issue that has received such scant attention. Thus, the most appropriate interpretation for this finding seems to be that the relationship between familiarity with professional codes of ethics and awareness of wrongdoing in organizations might not be as strong as previously thought. A more definitive statement, of course, requires additional research evidence.

The consistent pattern of results suggesting that corporate codes of ethics are associated with less employee awareness of wrongdoing sheds little light on the question of how employees will respond when faced with unethical activity in their organizations. That is, do corporate or professional codes of ethics facilitate the reporting of unethical behavior by others? In examining this question, it should be made clear that whistle-blowing is a complex issue that has been approached from several different vantage points. Most research on this topic has focused on characteristics of employees or of organizations with much less attention directed toward the specific role (if any) of ethical codes (e.g., Near and Miceli, 1987).

The present study did examine this question for both corporate and professional codes of ethical conduct. Thus, this investigation represents a more targeted analysis of the (potential) influence of codes of ethics on individual behavior in organizations in relation to prior studies. Results indicate that neither the presence of corporate codes of ethics nor familiarity with a professional code of ethical conduct had any influence on the decision to report *observed* unethical activity in organizations. Discussion is focused on why this outcome might have occurred and what it means.

Beginning with corporate codes of ethics, a case can be made that ethical codes implemented by work organizations serve to set guidelines for individual behavior in organizations thereby inhibiting wrongdoing. Findings from this study and prior research clearly support this interpretation. Whistle-blowing with its associated risks (Somers and Casal, 1994), on the other hand, might be a more personal decision that might

be perceived to be outside the realm of expected behavior by many employees. A concept that might shed some light on this issue is organizational citizenship behavior (Organ and Moorman, 1993). Citizenship for many members of an organization might mean following the stated code of ethics, but not necessarily reporting those instances where violations are present. For example, when police officers behave unethically while on duty, investigators are often faced with a "blue wall of silence" when questioning witnesses who are also police officers.

A similar argument can be made with respect to professional codes of ethics. In this case, the focal group is the occupational/professional community (e.g., Van Maanen and Barley, 1984), and not the organization. Good standing in the community almost certainly entails following the stated code of professional ethics, but it may well not require reporting unethical activity by one's professional colleagues. Indeed, "blowing the whistle" in this case can not only lead to strained relationships with other members of the occupational community, but also serves to lower the status of the profession in society.

It should be noted, however that these interpretations are speculative and should be viewed as such. Further, it should be made clear that organizational wrongdoing was measured as a perception so that there was no objective evidence of whether or not actual wrongdoing took place. Coupled with the comparatively low response rate for this study, it is also possible that these nonsignificant findings are partly attributable to methodological issues.

Turning to contextual issues, there has been an increasing interest in the characteristics of organizations that have and have not adopted formal codes of ethical conduct. This interest has gone beyond descriptive characteristics (e.g., size, industry group) to include contextual factors such as values, culture and climate. Although the term ethical climate was introduced some time ago (cf. Zalkind, 1987), there are hardly any studies of the value orientations of organizations that have adopted codes of ethical conduct. In this regard, because the interest is in "context", it is especially important that actual (vs. stated)

values are examined, and that the analysis is comparative; that is, it is based on a contrast between firms with and without ethical codes of conduct.

This issue was addressed in the present study as a research question. Results indicated that there were clear differences between firms with and without ethical codes on three dimensions: a focus on profitability, use of discretionary funds for charitable contributions and the importance of behaving morally and ethically. In all three cases, employees of firms with ethical codes of conduct felt that these three value-based objectives were more important than did employees in firms without ethical codes.

The two latter of these three findings are hardly unexpected and are indicative of a value system and corporate culture that recognizes the importance of ethical behavior and a responsibility to the commonweal. This orientation, in turn, is consistent with adopting a formal code of ethical conduct. The former finding is more interesting because it suggests that firms with codes of ethics might be more concerned with profitability than are firms without such codes. Although this result might seem counter-intuitive at first glance, an emphasis on profitability should provide the resources necessary to encourage the highest levels of ethical conduct as well as the means to make an economic contribution to solving social problems. Future studies might explore this line of research with both survey and more qualitative methodologies.

A related contextual issue concerns the degree of acceptance of organizational values; that is, the extent to which members of organizations with and without codes of ethical conduct are committed to organizational values, policies and priorities. This issue was examined as a research question in which levels of employee commitment to the organization were contrasted across organizations with and without formal codes of ethical conduct. As organizational commitment reflects acceptance of organizational values and support for the organization (Porter et al., 1974), this variable serves as a good indicator of employee socialization.

The present study provides some support for this proposition in that the highest levels of com-

mitment were observed in those organizations with codes of ethics. This finding, coupled with the results from our analysis of prevailing organizational values, suggests that organizations concerned with ethical conduct build a supportive climate (e.g., Zalkind, 1987) that includes values that emphasize integrity and ethical conduct and that engenders commitment to those values.

To summarize, this study suggests that organizations that promote ethical behavior reap several important benefits including less wrongdoing and higher levels of employee commitment. The contextual perspective utilized in this study indicates that formal ethical codes are one component of a milieu that encourages and supports high standards of ethical behavior; that is, these organizations have formal and informal mechanisms to ensure that ethical conduct becomes a "way of life." Professional codes of ethical conduct, in turn, appear to play a less important role in influencing employee behavior possibly because they are not part of the organizational environment.

This study also points out the importance of understanding contextual issues associated with codes of ethics in organizations. The metric used here to assess the presence of a formal code of ethics was employee awareness. It is quite likely that many organizations that were classified here as not having a code of ethics had indeed adopted one. However, it is also likely that a non-supportive context rendered these codes "invisible," and thus they had little influence on employee behavior.

Future research focused on clarifying the dimensions of the context in which ethical codes operate and on understanding the processes embedded in this context seems highly desirable. Studies of this kind are likely to add to the excellent knowledge base for promoting ethical conduct in organizations that is already available. This study points out the importance not only of adopting a formal code of ethics, but also of communicating it and reinforcing it with supportive organizational values.

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