ABSTRACT. The dramatic increase in the number of corporate ethical codes over the past 20 years has been attributed to the Watergate scandal and the Foreign Corrupt Practices Act. Ethical codes differ somewhat from professional codes and mission statements; yet the terms are frequently interchanged and often confused in the literature. Ethical code studies are reviewed in terms of how codes are communicated to employees and whether implications for violating codes are discussed. Most studies use content analysis to determine subjects in codes. Little information is available about how codes are communicated, whether they are accepted and used by employees, and whether they affect employee/corporate behavior. More research on ethical codes is needed to answer some of these questions.

Incidents surrounding Watergate and passage of the Foreign Corrupt Practices Act in 1977 have been credited to the tremendous growth and popularity of corporate ethical codes. Following the 1975 Watergate scandal, a number of corporations were implicated in illegal or questionable acts and calls for government regulation received increased support. Smarting from criticism and low public opinion, a number of corporations wrote codes of ethics to betoken a new, more moral image and to redefine their values.

This increase in codes, noted by Cressey and Moore (1983), Becker and Fritzsche (1987), Berenbeim (1987), Brooks (1989) and Rogers and Swales (1990) also received attention in major business newspapers. In a Wall Street Journal article, Bennett (1988, p. 17) remarked, "Formal ethical codes are hot these days. Companies without them are scrambling to commit corporate values to paper." The proliferation of corporate ethical codes over the past 20 years has attracted the interest of scholars who have primarily used content analysis to discover subjects in these codes. The studies have been most useful in determining the factual subject matter found in codes and the extent to which the same subjects occur in different codes.

At the same time we might ask "Have we learned what we need to know about corporate codes?" Certainly the content analyses have yielded rich information about subject matter, but can they answer our questions about corporate codes in terms of how they are communicated to employees and whether they are truly effective? This paper first attempts to present some definitions of ethical codes, professional codes and mission statements, then reviews the existing ethical code literature, and finally suggests some new directions for ethical code research.

Definitions

Corporate ethical codes differ somewhat from professional codes and mission statements, yet the terms are frequently interchanged by corporations and occasionally confused in the literature (Pearce and David, 1987). Lines between these genres are not really clear cut. Moreover, few code studies have undertaken the task of defining corporate codes. Cressey and Moore (1983) moved toward defining ethical codes when they excluded documents from their study which did not "address themselves to activities which reach beyond the firm itself" (p. 55). A somewhat basic definition is offered by Berenbeim (1987) — "A code of ethics is a major vehicle for..."
stating ethical principles” (p. vii). Pitt and Groskaufmanis (1990) take it further by using “corporate codes of conduct” and “corporate codes” as terms to designate “any written statement of ethics, law or policy... delineating the obligations of one or more classes of corporate employees” (1559, # 1).

We might first attempt to define corporate ethical codes through description. They are written documents, ranging in length from one paragraph to more than fifty pages, which are intended to impact employee behavior. Firms frequently attempt to manage and articulate ethics through these messages which are designed for both internal and external audiences. Codes, then, are managerial tools for shaping change. They often demand from employees higher standards of behavior than required by law. A code may be part of a personnel policies manual, which many courts interpret as a legal contract between employee and employer, or it may be a separately issued document which stands alone. Some have affidavits of understanding or oaths which require the employee's signature and others do not. Most importantly, they are messages through which corporations hope to shape employee behavior and effect change through explicit statements of desired behavior.

Professional codes articulate the goals and beliefs for groups of professionals by which individual practitioners can be guided. These frequently require higher standards than are legally mandated and have evolved in response to social, environmental and economic demands.1 Frankel (1988, p. 110) noted that a profession's code of ethics is “the most visible and explicit enunciation of its professional norms... and embodies the collective conscience of a profession.” Additionally, Frankel argued that professional codes could be classified as aspirational, educational, or regulatory. The first classification states ideals to which practitioners should strive, the second enhances understanding through commentary and the third provides a detailed set of rules.

Mission statements attempt to address strategic management issues. They define the “fundamental unique purpose that sets a business apart from other firms of its type and identify the scope of businesses' operations in product and market terms” (Pearch and David, 1987, p. 109). While they differ from corporate ethical statements by more directly addressing strategic planning and bottom line issues, mission statements frequently resemble ethical codes when they incorporate more metaphysical concepts such as values and ideals. Distinctions between ethical codes, professional codes, and mission statements often become blurred and sometimes overlap. For example, Rogers and Swales (1990) describe the Dana Corporation code as “a hybrid code for it is both a credo or mission statement and an outline of fundamental principles and policies for Dana Corporation and Dana employees” (p. 297).

Corporate ethical codes have roots in early professional codes. While a number of ethical codes were written in the early part of this century (i.e., the J. C. Penney code in 1913), most came much later. Professional codes, however, were common in the 1920's. An early collection of professional ethical codes (Heermance, 1924) includes codes of the National Association of Straw Hat Manufacturers, the National Association of Peanut Butter Manufacturers, the National Confectioners Association of the United States, a collective of candy makers. These associations reflect the pre-corporate status of many small companies which existed to produce single products.

The morals and values articulated in these codes embody the prevailing ethic of the time. For example, The National Confectioners Association of the United States disparaged games of chance in candy packaging by arguing “they encourage and develop the gambling habit in children, are injurious to their morals and... are a menace to the future development of the industry” (Heermance, p. 119).

Ethical codes exist, in part, because corporations are held legally accountable for the actions of their employees. While corporate criminal liability is a 20th century phenomena, it is based on the notion of respondeat superior: “Let the master answer” (Black, 1983, p. 681). This principle from common law holds the head (master) liable for illegal or wrongful acts of his servants. From this has emerged the doctrine holding the corporation responsible for the actions of its employees. In addition to responsibility, punitive damage assessment has a long history dating back to the Middle Ages (Pitt and Groskaufmanis, 1990). Corporate codes have been constructed partly as a defense against respondeat superior; however they do not always get the company off the hook. Courts have ruled that instructions to employees do not necessarily relieve the organization of responsibility