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Are Ethical Codes of Conduct Toothless Tigers for Dealing with Employment Discrimination?

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ABSTRACT. This study examined the influence of two organizational context variables, codes of conduct and supervisor advice, on personnel decisions in an experimental simulation. Specifically, we studied personnel evaluations and decisions in a situation where codes of conduct conflict with supervisor advice. Past studies showed that supervisors' advice to prefer ingroup over outgroup candidates leads to discriminatory personnel selection decisions. We extended this line of research by studying how codes of conduct and code enforcement may reduce this form of discrimination. Eighty German managers evaluated and selected candidates from an applicant pool including Germans (ingroup members) and foreigners (outgroup members). Supervisor advice to prefer ingroup members lowered suitability ratings of outgroup members as well as their chances to be selected for an interview. Ethical codes of conduct referring to equal opportunities limited this form of discrimination, but only when codes were enforced by sanctions and integrated into organizational every-day practice. The implications of these findings for research and practice are discussed.

KEY WORDS: personnel selection, employment discrimination, codes of conduct, code enforcement

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Today, Blacks make up 14% of the total US workforce but only 6.5% of managers. A survey of the 100 largest European corporations showed that minority employees occupied senior positions only in very few organizations, and that not one of the organizations had a CEO who was a member of a minority (Foroohar, 2002). Reasons for such disparities are manifold. One is discrimination. Discrimination is not only a societal problem; it can be a serious problem for organizations. Due to globalization and demographic changes, an increasing number of people belonging to groups that were traditionally underrepresented (e.g., women, immigrants, and older employees) are on today's labor market. Excluding talented and experienced people solely based on group membership does not only do serious damage to an organization's reputation and thus to its attractiveness, it also limits flexibility and productivity, and thus, in the long run, prevents organizations from gaining important competitive advantages (see Dietz and Petersen, 2006; Ely and Thomas, 2001).

Due to the increasing significance of workplace discrimination, many companies promote equal opportunities as part of their ethical codes of conduct (also known as standards of business conduct, codes of practice, corporate credos, mission or value statements). Codes of conduct are written documents defining the ethical standards of an organization. They include rules on how to interact with co-workers, clients, and applicants, leadership principles, principles of workplace security, and rules as to compliance with the law (Kaptein, 1998; Wood and Rimmer, 2003). Despite their increasing popularity, research on the effectiveness of business codes has produced conflicting results (Kaptein and Schwartz, 2008; Weaver and Trevino, 1999). Moreover, most studies are correlational in nature, based on questionnaire and self-report data (Schwartz, 2001). We addressed these shortcomings by studying the influence of codes of conduct on employment discrimination in an experimental setting. Moreover, we took into account that in an organizational setting, decisions are always influenced by multiple factors. Thus, codes of conduct are rarely the sole factor influencing employment decisions. Ethical decision making in particular is not only influenced by formal rules but also by what others say is right (Brass et al., 1998). Values and opinions of supervisors have a particularly strong impact on employee behavior (e.g., Brief et al., 1991), as has been underlined by recent accounts of the ethical dimension of leadership (Brown and Trevino, 2006). Accordingly, we studied the joint influence of supervisor opinion and codes of conduct on managers' selection decisions. More specifically, we were interested in situations where codes of conduct conflict with supervisor opinion, i.e., when supervisor opinion partly opposes equal opportunity codes of conduct. Such situations are likely to occur in every-day organizational life, and thus, knowing more about how employees behave in these situations is not only of scientific but also of high practical importance.

In what follows, we will first provide an overview of the most recent studies on discrimination in personnel selection decisions. Special attention will be accorded to studies that demonstrate the impact of supervisor opinion or advice on personnel selection. Then, we will outline how organizational codes of conduct may limit discrimination.

Discrimination in personnel selection decisions

Many early studies on discrimination were conducted in the US, examining whether Black candidates were treated unfairly compared to White candidates during the employment interview. However, contrary to most researchers' expectations, there was little evidence for discrimination against Blacks in interview contexts (Arvey and Faley, 1988; Harris, 1989). A more recent meta-analysis revealed small overall differences between ratings of Black or Hispanic and White candidates in interview evaluations, again suggesting that overall, minority and majority candidates were treated and evaluated similarly during the interview (Huffcutt and Roth, 1998). However, other research has documented persistent biases against minority candidates at hiring. Frazer and Wiersma (2001) showed that Black candidates were evaluated less positively than White candidates after the interview had been conducted. Also, field (Bertrand and Mullainathan, 2004) and laboratory experiments (Krings and Olivares, 2007) show that majority candidates have higher chances to access and continue the hiring procedure than minority candidates. The discrepancies in results suggest that discrimination depends on additional factors, i.e., factors that moderate the extent of bias against minority candidates.

Research on the impact of ethical culture or climate (Trevino et al., 1998; Weaver and Trevino, 1999) or of ethical codes of conduct (e.g., Pierce and Henry, 1996) on ethical/unethical behavior suggests that some moderators operate within the specific organizational context. Especially, elements of ethical culture such as reward systems or code of conduct support have a positive influence on ethical conduct (Trevino et al., 1998). However, most of this research is correlational, relying on self-report and questionnaire data. Moreover, only a few studies investigated the ethical dimension of personnel selection decisions.

Brief et al. (1995) were one of the first to demonstrate the impact of organizational context variables on personnel decisions in an experimental setting. The authors used an in-basket paradigm. In-basket exercises are typical components of assessment centers. Participants adopt the role of a manager in a fictitious organization, working on a series of tasks. They are provided with extensive information on the specific situation of the organization, thus allowing a systematic analysis of the influence of organizational context variables. One task requires participants to screen and select candidates for a job interview. Some candidates belong to participants' ingroup (e.g., Whites) and some belong to participants' outgroup (e.g., Blacks). Discrimination is evident if ingroup candidates are preferred over outgroup candidates. Brief et al. (1995) found that White decision makers discriminated against Black candidates but only if their supervisor provided them with a business justification for preferring White candidates. The business justification was provided by a memo of the supervisor, which read as follows (Brief et al., 1995, p. 184): "Given that the vast majority of our work force is White, it is essential we put a White person in the VP position. I don't want to jeopardize the fine relationship we have with our people in the units." The authors concluded that people may violate their own or society's ethical principles if the behavior appears desirable in the specific organizational context, i.e., if they think that supervisors consider the behavior desirable.

Further studies using the same paradigm demonstrated that decision makers' attitudes toward minorities further influence selection decisions. For example, people scoring high on modern racism – the tendency to suppress negative feelings while still holding negative attitudes against blacks (McConahay, 1986) – responded more strongly to supervisor advice to exclude Blacks than people low on modern racism (Brief et al., 2000). Similarly, Petersen and Dietz (2005) found that German participants high in subtle prejudice toward foreigners selected fewer foreign than German candidates if the supervisor advised them to prefer ingroup over outgroup candidates. Similar results have been found for people high in authoritarianism (Petersen and Dietz, 2000).

Taken together, these studies suggest that supervisors' opinion or advice to prefer majority over minority candidates exerts a powerful influence and may foster discriminatory personnel selection decisions. For the present study, we further extended this line of research by studying how supervisor advice interacts with other aspects of organizational context, i.e., with ethical codes of conduct. Specifically, we were interested in the question whether codes of conduct can limit this type of discrimination.

The impact of ethical codes of conduct

Establishing ethical codes of conduct is voluntary; however, the pressure from governments, industrial associations, and other stakeholders to do so has increased. For today's large organizations, ethical codes are almost a standard: Of the two hundred largest companies in the world, 52.5% have ethical codes (Kaptein, 2004). More than 90% of U.S. organizations, 57% of European, and 51% of German organizations have ethical codes of conduct (Schwartz, 2001). Codes are usually developed by management, sometimes with the help of employees. Some organizations train employees how to comply with the ethical codes (e.g., by confronting them with case studies or ethical dilemmas). Moreover, some organizations establish sanctions against code violations that range from simple instructions to correct unethical behavior, over paying a fine up to termination of the contract.

Codes of conduct can save organizations in case of lawsuits and also serve as a good marketing, recruiting, and public relation tool, but their main goal is to influence employee behavior. Schwartz (2001) proposes eight mechanisms for how codes may influence employee behavior. (1) Codes function as a rule book, meaning that they help clarify what kind of behavior is expected within the organization. (2) Codes function as sign-posts, indicating that they encourage employees to consult others or corporate policies to determine what kind of behavior is appropriate. (3) Codes serve as mirrors, i.e., they provide employees with an opportunity to confirm whether their behavior is acceptable or not. (4) Codes function as magnifying glasses because they render employees more cautious and encourage them to think about possible negative consequences before acting. (5) Codes serve as shields, meaning that they enable employees to resist or challenge unethical suggestions by supervisors or colleagues. (6) Codes function as smoke detectors because through codes, employees who are likely to engage in unethical behavior will be more easily warned by others. (7) Codes serve as fire alarms because in case of a code violation, employees are encouraged to contact and inform an authority (e.g., the "Ethic Officer") more quickly. (8) Finally, codes function as a club, meaning that knowing that ethical codes exist and that violations will be sanctioned may cause employees to comply with codes' provisions.

However, despite the manifold ways how ethical codes may influence employee behavior, empirical studies have not been able to reliably demonstrate if they actually do have the desired impact. Some studies found that codes of conduct and behavior were significantly related (Barnett et al., 1993; Cassel et al. 1997; Ferrel and Skinner, 1988; Hegarty and Sims, 1979; Kaptein and Wempe, 1998; Kitson, 1996; Laczniak and Inderrieden, 1987; McCabe et al., 1996; Pierce and Henry, 1996; Rich et al., 1990; Singhapakdi and Vitell, 1990), whereas others found either weak relations (Brief et al., 1996; Murphy et al., 1992; Stevens et al., 2005; Weeks and Nantel, 1992) or no relation at all (Akaah and Riordan, 1989; Allen and Davis, 1993; Badaracco and Webb, 1995; Callan, 1992; Chonko and Hunt, 1985; Clark and Leonard, 1998; Cowton and Thompson, 2000; Farrell et al., 2002; Ford et al., 1982; Hunt et al., 1984; Marnburg, 2000). Most studies were based on questionnaire and self-report data. Only few studies experimentally varied existence and content of ethical codes within a simulation in an organizational context and then analyzed participants' actual behavior (Brief et al., 1996; Clark and Leonard, 1998; Hegarty and Sims, 1979; Laczniak and Inderrieden, 1987). Significant or weak positive relationships between codes of conduct and behavior were found in the following studies. Brief et al. (1996) compared the behavior of managers in role plays under three conditions: when no codes of conduct existed; when codes existed but were formulated in an abstract way; when codes were detailed and contained concrete behavioral rules. Different codes of conduct influenced managers' behavior the way expected (e.g., the tendency to falsify documents was lower if concrete behavioral rules existed), but differences between conditions were not statistically significant. Hegarty and Sims (1979) analyzed the decision making process of business students in an experimental simulation. One group of participants received a letter from the company president in which he supported ethical behavior. Ethical decision making was more prevalent among participants of the first than those of the second group. In another experimental simulation, Laczniak and Interrieden (1987) found that when detailed codes of conduct existed, participants behaved more ethically and correctly than when no codes existed. But this effect was only observed if it was clearly stated within the simulation that participants who violated ethical codes would face negative consequences. The findings of Laczniak and Interrieden (1987) therefore highlight the importance of establishing sanctions against code violations, as has been suggested by Purcell (1978) and Weber (1981). Similarly, Falkenberg and Herremans (1995) found that pressures in the informal system were important factors for influencing ethical decision making.

Two conclusions regarding the impact of codes of conduct on behavior can be drawn from these studies: First, it seems that if codes are to have an impact on behavior, they must be detailed and straight-forward (Brief et al., 1996). Further, results by Laczniak and Interrieden (1987), Hegarty and Sims (1979), and Falkenberg and Herremans (1995) suggest that management should clearly signal that it takes existing codes and compliance seriously, e.g., by establishing sanctions against code violations (Purcell, 1978; Weber, 1981), thus encouraging an organizational climate for ethical behavior.

Research questions

We adapted the in-basket paradigm described above by studying managers' personnel selection decisions under four experimental conditions. In all conditions, participants evaluated and selected candidates from a group of candidates belonging to participants' ingroup (Germans) and outgroup (foreigners). In condition 1 (control), participants made selection decisions without being exposed to supervisor advice nor to organizational codes of conduct. In condition 2, a supervisor advised participants to prefer ingroup and to exclude outgroup candidates because, in his opinion, outgroup candidates would not fit in with the current personnel. This advice provided participants with a presumable organizational justification to discriminate against outgroup candidates. As outlined above, a number of studies found that this advice lowered evaluations of and selection rates for outgroup members. We expected to replicate these findings:

Hypothesis 1a and 1b: Participants who are advised by their supervisors to prefer applicants belonging to participants' ingroup will evaluate ingroup candidates more positively than outgroup candidates (H1a). They will also select fewer outgroup than ingroup applicants for an interview than participants who do not receive this supervisor advice (H1b).

In condition 3, participants were also advised by their supervisor to prefer ingroup candidates. But additionally, participants received detailed information on the organization's codes of conduct. One of the codes referred to equal opportunities for members of minority groups. It stated that all employees and candidates have equal opportunities at employment and promotion and that they would be treated independently of gender, national/ethnic origin, age, sexual orientation, and physical handicaps. With this manipulation, we investigated whether ethical codes of conduct lead to more ethical behavior (i.e., less discrimination against minority applicants) even if a supervisor states that he considers the unethical behavior more desirable and appropriate. Accordingly, we expected the following:

Hypothesis 2a and 2b: When participants receive information on the organization's ethical codes of conduct referring to equal opportunities, they will evaluate outgroup candidates as positively as ingroup candidates, even if a supervisor advises them to prefer ingroup members (H2a). Participants who are confronted with ethical codes and supervisor advice will select more outgroup candidates than participants who receive only supervisor advice but are not exposed to ethical codes of conduct (H2b).

In condition 4, participants were again advised by their supervisor to prefer ingroup candidates and received detailed information on the organization's codes of conduct. But in condition 4, the simulation was further extended by underlining that the organization took the codes of conduct as well as employee compliance seriously. It was outlined that people who violated codes would face negative consequences. Comparing participants' behavior in conditions 3 and 4 will shed light on the question whether establishing codes of conduct for ethical behavior is sufficient for influencing behavior or whether codes must be more actively enforced in organizational every-day life (e.g., via sanctions) in order to have an impact. As mentioned above, results by Laczniak and Interrieden (1987) suggest that code enforcement is an essential element if codes are to have an impact on behavior. Accordingly, we expected that the effects described in Hypothesis 2a and 2b will only occur when participants not only receive information on the organization's ethical codes of conduct but additionally receive information that code compliance is enforced and integrated organizational every-day practice:

Hypothesis 3: When participants receive information on the organization's ethical codes of conduct referring and on code compliance as well as on how codes are integrated into organizational practice, they will evaluate outgroup candidates as positively as ingroup candidates (H3a) and select more outgroup candidates than participants who receive only supervisor advice but are not at all exposed to ethical codes of conduct (H3b).

Before turning to the methods section, a brief paragraph on the specific context of the study is warranted. As mentioned above, we focused on discrimination of German participants against foreigners. The term foreigner (''Ausländer''), though commonly used in the German language, is somewhat ill-defined. The stereotype commonly associated with the term foreigner is that of people from European Mediterranean countries. They make up the majority of foreigners in Germany (about 60.7%, Wagner et al., 1989): 7.3 million foreigners (8.9% of the population), mostly from Turkey, Italy, the former Yugoslavia, and Greece live in Germany. Although Germany has a long history of foreign workers (e.g., Münz et al., 1999), they are typically referred to as guest-workers (''Gastarbeiter''). From 1955 until the oil crisis in 1973, the former West Germany recruited 14 million foreigners to overcome labor shortages during its economic expansion. About three million of these foreign employees stayed and often their families followed. Studies of employment discrimination in Germany are rare (Wagner et al., 2001), but Kühne et al. (1994) reported both subtle and structural discrimination. In 2006, the unemployment rate among foreigners was 23.6% compared to 10.8% among Germans (Bundesagentur für Arbeit, 2007). In 2006, the German government established a new anti-discrimination law applying the guidelines of the European Union. It forces private and public organizations to treat people equally independent of their gender, age, national or ethic origin, disability, religion, and sexual orientation.

Method

Participants

Eighty managers in supervisory positions participated in the study (42.5% women). In order to include only participants belonging to the ingroup within our simulation, i.e., Germans, we assured that all participants were born, raised, and had completed their education in Germany. Participants were between 27 and 65 years old (M = 42.6; SD = 8.98). They had worked within their profession between 1 and 43 years (M = 16.8 years; SD = 10.04) and for their current employer between half a year and 35 years (M = 11.0 years; SD = 7.56). Sixty-one percent of the participants completed secondary school, which is roughly equivalent to obtaining a high school diploma. Sixty-one percent obtained an additional bachelor's or master's degree.

General procedure and material

We contacted managers of multiple private and public organizations in the region of Halle/Leipzig in East Germany. We included a broad array of organizations (e.g., banking industry, insurance companies, internal revenue services, and public health center) to increase the generalizability of the findings. Managers were invited to participate in a study that was presumably on managerial decision making in everyday organizational situations. Only those mangers that were currently (or had been in the past) involved in the selection of new employees were included in the study. Most managers were willing to participate without receiving remuneration; some received 10 Euros for the coffee cash box of their department. Questionnaires and in-baskets were only handed to those managers who agreed to participate. Participants were instructed to fill out the questionnaires alone and when in their office. Further, they were encouraged to make sure that during that time (completing the questionnaires took roughly 30 min) they had no other obligations or work to do but could concentrate on the material. Some questionnaires were mailed to the participant and some were delivered in person by a research assistant. For returning the completed questionnaires, participants could choose between sending them back to the University in a prepaid return envelope or informing the research assistant that he could come by their office to collect the questionnaires in a sealed envelope.

Participants were randomly assigned to one of the four experimental conditions (see below). All participants completed an in-basket exercise. They were instructed to adopt the role of *Torsten Folger* who was the manager of a fast-food chain. The organization and the responsibilities of *Torsten Folger* were described in detail as part of the written instructions. Among other things, he was responsible for personnel decisions. In this role, participants established salaries for new employees, organized training programs within the organization, approved applications for leave, etc. The task of interest for the present study comprised screening and selecting job candidates for an interview. Participants were instructed to respect two criteria when selecting candidates: the selected candidates should have experience in (1) the food industry and (2) sales. Then, they reviewed the dossiers of eight candidates: Four candidates were German (ingroup members) and four were foreigners (outgroup members). Group membership was apparent on candidates' résumés: either they were both raised and educated in European Mediterranean countries and had a foreign name or they were raised and educated in Germany and had a German name. Furthermore, two ingroup and two outgroup candidates were qualified for the job in question, i.e., they fulfilled both selection criteria. The other two ingroup and two outgroup candidates were not qualified, i.e., they met only one of the two criteria.

Participants evaluated the suitability of the eight candidates on a scale from 1 (*very suitable*) to 7 (*very unsuitable*). Then, they were instructed to select three candidates for an interview. The following two measures served as dependent variables: (1) the difference between the suitability ratings of the ingroup and the outgroup candidates; (2) the number of selected outgroup candidates.

Detailed procedure within the four conditions

Condition 1 (control): The procedure in this condition did not differ from the general procedure described above. Participants based their decisions on the two selection criteria referring to the qualifications of the candidates (see above). The criteria were outlined in a memo by *Torsten Folger*'s supervisor.

Condition 2 (supervisor advice to prefer ingroup applicants): After outlining the two qualification criteria mentioned above, *Torsten Folger*'s supervisor added the following comment, advising participants to prefer ingroup (German) candidates "I had a look at all the applications myself and I realized that some foreigners have applied for the job. Because of our current personnel situation, please don't select any foreign candidates."

Condition 3 (supervisor advice to prefer ingroup applicants and codes of conduct): As in condition 2, participants were advised to exclude foreign candidates by their supervisor. Additionally, at the beginning of the in-basket exercise, they received an information sheet describing the organization's codes of conduct. Codes contained detailed guidelines concerning expected employee behavior toward clients, colleagues, applicants, and toward the environment. One paragraph entitled "Codes of conduct concerning behavior toward employees" read the following: "Our organization guarantees equal opportunities for all employees and job candidates. All people have equal opportunities at employment and promotion and are treated independently of their gender, national/ethnic origin, age, sexual orientation, and physical handicap." After receiving further detailed instructions on how to behave in a number of specific situations, it was pointed out that the organization expected employees also to apply the codes of conduct in situations for which the organization had not outlined explicit behavioral guidelines. Employees were encouraged to ask themselves the following four questions before making any decision: Is the decision (or action) legal? Can I personally account for the decision? Would clients, colleagues, friends, and family support my decision? Will I feel good about my decision tomorrow?

Condition 4 (supervisor advice to prefer ingroup applicants, codes of conduct, and code enforcement): In this condition, participants were again advised to exclude foreign candidates by their supervisor. Moreover, they received the same information sheet on the organization's codes of conduct as participants in condition 3. Additionally, in condition 4, it was stressed that the ethical codes were an important part of the organization's culture. It was outlined that code violations were made public and that employees who violated codes would face negative sanctions. Participants received an additional memo from the company's president, reading as follows: "Dear colleagues, in our last newsletter we reported that in one of our stores, a shift supervisor sexually harassed a female employee. After the case had been investigated and clarified, we decided to terminate the shift supervisor's contract. For this reason, I'd like to call your attention to our codes of conduct that are binding for every single employee. I'd also like to point out that a person breaching a code of conduct will face negative consequences that can lead up to an instant dismissal."

Results

Suitability ratings of the candidates

To compare the size of the ingroup–outgroup differences between conditions, we calculated the differences between suitability ratings of outgroup and ingroup candidates for each condition (see Figure 1). Positive scores indicate that suitability ratings of ingroup candidates were more positive than suitability ratings of outgroup candidates. A univariate ANOVA

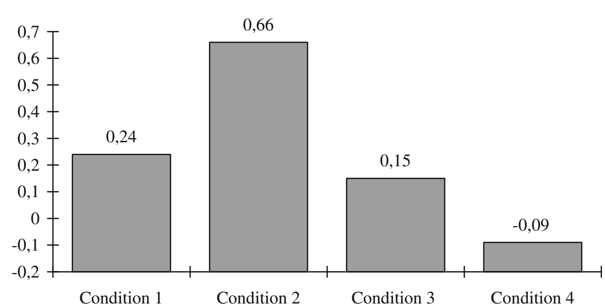

Figure 1. Mean ingroup–outgroup difference scores of suitability ratings for condition 1 (control), condition 2 (supervisor advice to prefer ingroup candidates), condition 3 (supervisor advice to prefer ingroup candidates + codes of conduct), and condition 4 (supervisor advice to prefer ingroup candidates + codes of conduct + code enforcement). Positive scores indicate that suitability ratings of ingroup candidates were more positive than suitability ratings of outgroup candidates.

revealed that ingroup–outgroup difference scores varied between conditions, $F(3, 76) = 3.64$, $p = 0.02$, and $\eta^2 = 0.13$. Planned comparisons to test H1a showed that ingroup–outgroup differences in condition 2 (supervisor advice to prefer ingroup candidates: $M = 0.66$, $SD = 0.16$) were larger than the respective differences in the control condition ($M = 0.24$, $SD = 0.16$), $t(38) = 2.23$, $p = 0.03$. Further, within the control condition, evaluations of ingroup candidates ($M = 3.14$, $SD = 0.19$) and outgroup candidates ($M = 3.39$, $SD = 0.21$) did not differ, $t(19) = 1.74$, $p = 0.10$. However, in condition 2, ingroup candidates ($M = 3.07$, $SD = 0.20$) were evaluated more positively than outgroup candidates ($M = 3.74$, $SD = 0.23$), $t(19) = 5.15$, $p < 0.001$. Thus, H1a was supported.

To test H2a and H3a, we compared ingroup–outgroup differences of condition 3 (supervisor advice to prefer ingroup candidates + codes of conduct) and condition 4 (supervisor advice to prefer ingroup candidates + codes of conduct + code enforcement) with those of condition 2. Ingroup–outgroup differences in condition 2 ($M = 0.66$, $SD = 0.16$) were larger than in condition 3 ($M = 0.15$, $SD = 0.16$), $t(38) = 2.16$, $p = 0.04$, and larger than in condition 4 ($M = -0.09$, $SD = 0.17$), $t(38) = 3.65$, $p = 0.001$. Moreover, ingroup–outgroup differences in condition 3 were similar to those in condition 4, $t(38) = 0.89$, $p = 0.37$. Further, within conditions 3 and 4, ingroup candidates (condition 3: $M = 3.05$, $SD = 0.19$; condition 4: $M = 3.06$, $SD = 0.20$) and outgroup candidates (condition 3: $M = 3.20$, $SD = 0.21$; condition 4: $M = 2.97$, $SD = 0.23$) were evaluated similarly, $t(19) = 0.74$, $p = 0.47$ and $t(19) = 0.54$, $p = 0.60$, respectively. Thus, we found support for H2a, whereas H3a was not supported.

Number of selected outgroup candidates

Mean numbers of selected outgroup candidates for each condition are displayed in Figure 2. A univariate ANOVA revealed significant differences between conditions, $F(3, 76) = 3.18$, $p = 0.03$, $\eta^2 = 0.11$. Planned comparisons to test H1b showed that in the control condition ($M = 1.35$, $SD =$ 0.49), participants selected more outgroup candidates than in condition 2 (supervisor advice to prefer ingroup candidates: $M = 0.90$, $SD = 0.31$), $t(38) = 3.48$, $p = 0.001$. Moreover, within the control condition, ingroup candidates ($M = 1.65$, $SD = 0.49$) were not selected more frequently than outgroup candidates ($M = 1.35$, $SD = 0.49$), $t(19) = 1.37$, $p = 0.19$, whereas in condition 2, participants selected more ingroup ($M = 2.10$, $SD = 0.31$) than outgroup candidates ($M = 0.90$, $SD = 0.31$), $t(19) = 8.72$, $p < 0.001$. Thus, H1b was supported.

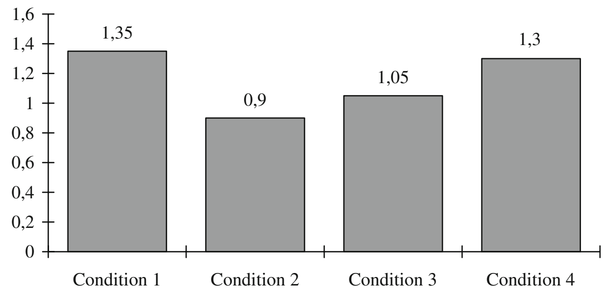

Figure 2. Mean numbers of selected outgroup candidates for condition 1 (control), condition 2 (supervisor advice to prefer ingroup candidates), condition 3 (supervisor advice to prefer ingroup candidates + codes of conduct), and condition 4 (supervisor advice to prefer ingroup candidates + codes of conduct + code enforcement).

To test H2b and H3b, we compared the number of selected outgroup candidates in condition 3 (supervisor advice to prefer ingroup candidates + codes of conduct) and condition 4 (supervisor advice to prefer ingroup candidates + codes of conduct + code enforcement) with the number of selected outgroup members in condition 2. Analyses revealed that participants in condition 3 ($M = 1.05$, $SD = 0.69$) did not select more outgroup candidates than those in condition 2 ($M = 0.90$, $SD = 0.31$), $t(38) = 0.89$, $p = 0.38$. Only participants in condition 4 ($M = 1.30$, $SD = 0.57$) selected more outgroup candidates than in condition 2 ($M = 0.90$, $SD = 0.31$), $t(38) = 2.76$, $p = 0.009$. Further, within condition 3, participants still selected more ingroup ($M = 1.95$, $SD = 0.69$) than outgroup candidates ($M = 1.05$, $SD = 0.69$), $t(19) = 2.93$, $p = 0.009$, whereas in condition 4, the number of selected ingroup candidates ($M = 1.70$, $SD = 0.57$) did not differ from the number of selected outgroup candidates ($M = 1.30$, $SD = 0.57$), $t(19) = 1.56$,

$p = 0.134$. Thus, H2b was not supported, whereas assumptions of H3b were confirmed.

Discussion

The aim of the present experiment was to analyze the impact of organizational context variables on personnel evaluations and decisions of managers. In particular, we focused on the interactive effects of two context factors, namely, on the influence of organizational codes of conduct on manager decisions in a specific situation, i.e., when supervisors attempted to influence managers' decisions by advising them to prefer ingroup candidates. Thus, ethical codes of conduct and supervisor advice were partly opposed, reflecting the complexity of everyday organizational decision making. We first discuss our findings with respect to discrimination in personnel decisions and the influence of codes of conduct on behavior. Then, we outline practical implications, study limitations, and suggestions for future research.

Studies on employment discrimination often lead to contradictory results. Some reported small or no differences in the way minority and majority candidates are treated (e.g., Lin et al., 1992), while others showed persistent bias against minorities (e.g., Bertrand and Mullainathan, 2004). This discrepancy suggests the operation of moderating factors that determine the extent of discrimination within a specific situation (see also Huffcutt and Roth, 1998). We focused on aspects of organizational context as moderators. Personnel decisions are rarely made in isolation. Rather, they are influenced by different aspects of the decision context (e.g., advice from colleagues or supervisors, current personnel situation). In line with this notion, experimental studies have demonstrated that decision makers may exclude minority applicants as a reaction to supervisor opinion, i.e., advice to prefer ingroup candidates for seemingly structural or task-related reasons (Brief et al., 1995, 2000; Petersen and Dietz 2000, 2005).

Our findings support this line of research. When decision makers were not influenced by supervisor opinion or organizational codes of conduct (control condition), they evaluated ingroup and outgroup candidates similarly and selected them at equal rates. However, when a supervisor advised them to select only ingroup candidates, decision makers selected not only more ingroup than outgroup candidates but the number of selected outgroup candidates was also lower than in the control condition. Furthermore, supervisor advice also lead to more positive suitability ratings of ingroup than of outgroup candidates. Thus far, findings corroborate existing research on the origins of social discrimination personnel selection decisions.

Furthermore, we were interested in the impact of ethical codes of conduct on discriminatory behavior in this particular situation. Results showed that codes of conduct indeed had a positive effect on behavior but only under certain conditions. Whereas supervisor advice to prefer ingroup members lead to higher suitability ratings of ingroup candidates, this ingroup bias was no longer apparent if decision makers were confronted with ethical codes of conduct referring to equal opportunities. Thus, in the presence of ethical codes, mangers evaluated candidates independently of social group membership and independently of supervisor advice to exclude minority candidates. However, a different picture emerged for managers' selection decisions. If supervisor advice was accompanied by codes of conduct, managers selected fewer outgroup than ingroup candidates and the number of selected outgroup candidates was comparable to the number that was selected when no codes of conduct were present. Thus, codes of conduct decreased ingroup bias for suitability ratings but had no impact on selection decisions, despite the fact that they were detailed and contained clear behavioral guidelines. This is in line with other studies showing that codes of conduct have only a limited influence on unethical behavior (Brief et al., 1996; Laczniak and Inderrieden, 1987). Some authors argued that, in order to have any impact at all, ethical codes must be enforced by positive and negative sanctions (Purcell, 1978; Weber, 1981). Our findings support this argument: When codes of conduct were presented together with a concrete case documenting that code violations would be made public and that violators would be disciplined, managers evaluated outgroup candidates more fairly and did not discriminate against outgroup candidates, despite supervisor advice to do otherwise. Thus, if codes were actively embedded into organizational practice, they exerted a powerful influence on managers' decisions.

Taken together, results of the present study highlight the interplay between supervisor behavior and ethical codes. Supervisors are important role models when it comes to employee behavior. The role model function is illustrated by the pervasive influence of supervisor advice to exclude minority candidates on selection decisions that emerged in our study. Supervisor advice overrode the influence of ethical codes of conduct, despite the fact that codes were binding for every employee and should have led them to disregard it. Thus, our results suggest that, at least in certain situations, supervisors have more influence on employee behavior than organizational codes of conduct, even if following the supervisor means openly violating ethical codes. A common complaint of employees that surfaced in survey studies on attitudes toward ethical codes is that management does not live up to the stated values, i.e., that management doesn't walk the talk (Urbany, 2005). Our results indicate that indeed, if management doesn't walk the talk (e.g., if supervisors encourage unethical behavior), codes of conduct become toothless tigers, no matter how detailed and specific they are. Only when codes are actively enforced and integrated in organizational culture and practice do they re-gain their teeth and become a powerful tool.

Practical implications

One important implication of the results for managers is that stating codes of conduct is not sufficient to establish ethical behavior. It became clear that the mere existence of codes of conduct is insufficient protection against social discrimination in personnel decision making. Codes of conduct seem to exert an influence on behavior only if they are actively implemented into organizational context and if code violations are sanctioned. Just as establishing a climate for quality or a climate for customer-orientation does not happen without management effort, management must take effort in establishing a climate for ethical behavior.

Further, results showed that managerial opinions may undermine well-intentioned effects of codes of conduct, indicating that managers exert a powerful influence on employee behavior that, under some circumstances, is more powerful than ethical codes. But managers' influence does not only decrease the effectiveness of codes. Their influence may also be used in a positive sense, namely to enhance code effectiveness. Our results suggest that managers play a key role for employee code compliance. Thus, organizations should encourage managers to always respect and behave in line with the codes. They should be discouraged from suggesting code violations to subordinates even if those violations seem minor. Moreover, managers should encourage code compliance among their employees and show open support for the company's codes. Put differently, the more managers behave as "ethical leaders" (Brown and Trevino, 2006), the more likely it is that employees accept and respect the organization's ethical codes.

Based on knowledge on the establishment and change of organizational climate (Koppelman et al., 1990; Schneider et al., 1992), we recommend the following steps (see also Brief et al., 1996 and Trevino et al., 1998): First, concrete, organization specific, detailed codes of conduct should be formulated. These codes should not only be published on the company's website or handed out to new employees, but also the organization should communicate them more actively, for example, in team meetings or appraisal interviews. Moreover, the organization should develop and implement methods for monitoring and evaluating ethical standards (e.g., by regular accountability reports that document whether decisions were in line with the ethical values of the organization). Further, the organization should reward employees' ethical behavior or the detection of unethical behavior (e.g., by providing incentives for internal whistleblowing). Equally important is that employees are provided with resources for ethical behavior (e.g., by providing opportunities to discuss important decisions) and opportunities to acquire appropriate behaviors (e.g., by training). Finally, it is important that managers themselves behave ethically, in line with the organization's codes, and serve as role models for other employees. Managers who don't behave in accord with the ethical values may ultimately undermine many of the steps outlined above.

Limitations

We conducted experimental simulations. The ecological validity of roleplays has been controversially discussed (e.g., Gorman et al., 1978). The primary problem is the representativeness of the psychological context: Behavior observed in role plays often does not match behavior that emerges in more psychologically significant situations. This is, of course, an important issue when studying stereotypes, prejudice, and discrimination. If asked in a questionnaire, participants may quite easily indicate that they select candidates based on qualifications and not based on ethnic origin; they may also quite easily indicate that they would not be prone to the influence of suggestions by authorities (e.g., supervisors) to prefer a certain group. However, in real situations, when dealing with real candidates and when having a psychologically significant relationship with a supervisor, behavior may differ from what is indicated in a questionnaire. As a consequence, in simulations, the tendency to follow authorities and the extent of discrimination should be rather underestimated than overestimated. Observing different behaviors in different experimental conditions of the simulation is of particular interest. In our study, we observed significant differences in evaluations and selection decisions as a function of variations in organizational context factors. A field study would allow examining whether the extent of the differences we observed within the simulation actually corresponds to differences in actual situations.

Another problem of simulations is that it is not possible to simulate long term relationships between supervisors and subordinates. In long term relationships, supervisors probably not only influence subordinates through direct advice but also use more subtle messages in communication and interaction. Within an experimental simulation, supervisor influence must be operationalized in such a manner that all participants understand the supervisor's message in the same way, i.e., it must be quite direct. On the other hand, if the influence attempt is too direct, it may less resemble "real" organizational life. We choose to operationalize supervisor influence using direct advice for two reasons: Firstly, we wanted to operationalize supervisor advice in a similar fashion as used in the key studies we built on (e.g., Brief et al., 1995; Petersen and Dietz, 2000, 2005). Secondly, we wanted to avoid ambiguity in the supervisor advice, to assure that all participants understand it in the same manner. However, we are aware of the fact that in real organizations, supervisors may often express their advice in a more subtle and covert fashion.

Future research

Results of our study support the conclusion of previous studies that personnel decision makers can be led to exclude outgroup candidates through supervisor suggestions. However, results also show that this type of discriminatory behavior can be prevented by an organizational culture that actively pursues ethical values such as equal opportunities or diversity. Thus, when analyzing discrimination in personnel selection, a stronger emphasis should be placed on aspects of organizational culture and climate, in particular, on how shaping specific aspects of organizational culture may promote fair personnel selection procedures.

In the introduction, we stated that empirical evidence concerning the impact of organizational codes of conduct on behavior is, at best, mixed. Most of this evidence, however, is based on questionnaire studies. The present study should encourage researchers in this domain to use experimental designs that allow a close analysis of specific factors in an otherwise controlled setting. Finally, results suggest that when studying the influence of codes of conduct on behavior, research should not only focus on the existence versus non-existence or the degree of specification of ethical codes, but also pay attention to the extent that ethical codes are integrated into organizational every-day practice as well as to the extent that an organization promotes a climate for ethical behavior.

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