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THE VALUE OF SELF-REGULATORY APPROACHES[*]

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ABSTRACT

Securing employee adherence to work-place rules and company policies is one key antecedent of successful coordination and functioning within organizations. It is important for companies to be able to motivate effectively rule-following behavior among employees. This analysis highlights the value of identifying optimal approaches to securing such behavior. In this paper, two strategies for achieving policy adherence and rule following are compared. Those strategies are: (1) the sanction-based command-and-control model and (2) self-regulatory approaches that are linked to activating employees' ethical judgments. Research findings suggest that, while command-and-control strategies influence employee

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behavior, self-regulatory strategies have a stronger influence. Studies also explore the basis of these ethical judgments and find that the primary factor shaping them is the procedural justice that employees experience in their workplace. These results suggest that the roots of employee policy adherence and rule-following behavior lie in the procedural justice of the organization. Overall, this analysis highlights the important role ethical judgments play in motivating both rule following and policy adherence among employees in work settings and provides practical suggestions for shaping those judgments.

INTRODUCTION: CAN BUSINESSES EFFECTIVELY REGULATE EMPLOYEE CONDUCT?: THE ANTECEDENTS OF RULE ADHERENCE IN WORK SETTINGS

Can businesses effectively engage in the internal regulation of employee behavior, and if so, what strategies should they use to achieve best that objective? Recent corporate scandals have evoked a heightened concern among members of the public, government officials, and business leaders both about whether businesses can regulate the conduct of their employees and how to secure effectively employee adherence to corporate rules and policies. Such adherence is important in a wide variety of work settings and involves organizational policies that cover, among other things, accurate accounting, conflicts of interest, product or service quality, environmental safety, sexual harassment, and race, gender and/or sexual orientation discrimination. In these and many other ways, gaining adherence to organizational policies that control everyday employee behavior is critical for successful organizational functioning.[1]

Unfortunately, there has long been extensive evidence that in many of these areas noncompliance within organizations is widespread.[2] Such issues of compliance and

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[1] *See* Myrtle P. Bell et al., *Discrimination, Harassment, and the Glass Ceiling: Women Executives as Change Agents*, 37 J. BUS. ETHICS 65, 65-76 (2002); William S. Laufer & Diana C. Robertson, *Corporate Ethics Initiatives as Social Control*, 16 J. BUS. ETHICS 1029, 1029-48 (1997).

[2] *See* Mike Healy & Jennifer Iles, *The Establishment and Enforcement of Codes*, 39 J. BUS. ETHICS 117, 117-24 (2002); Joel Mintz, *Scrutinizing Environmental Enforcement*, 17 J. LAND USE & ENVTL. L. 127, 127-48 (2001).; Eric M. Rice, *The Corporate Tax Gap: Evidence on Tax Compliance by Small Corporations*, *in* WHY PEOPLE PAY TAXES 125, 125-61 (Joel Slemrod ed., 1992); DAVID R. SIMON & D. STANLEY EITZEN, ELITE DEVIANCE *passim* (3d ed. 1990); David B. Spence, *The Shadow of the Rational Polluter: Rethinking the Role of Rational Actor Models in Environmental Law*,

noncompliance have been dramatically thrust into the public eye through recent highly-visible incidents of corporate misconduct. The prevalence and damaging consequences of such non-compliance underscores the importance of identifying an effective model of employee rule adherence. Businesses would benefit from such a model since it would allow them to shape employee conduct in desirable ways. Further, from a policy perspective, government agencies are more likely to feel that the active regulation of businesses is important if they believe that businesses lack an effective model for self-regulation.

Of course, it is also important to recognize that a wide variety of other issues are implicated in recent corporate scandals. In particular, in some cases the problem is linked to misbehavior among corporate leaders—i.e., CEOs. The focus of this paper is not on the leaders of corporations, but on employees within them. In particular, this paper does not consider the case in which leaders are creating an unethical climate within their companies so that they can break rules for personal profit. Rather, this paper begins with the assumption that the situation can be one in which the leaders of a company are motivated to encourage their employees to follow rules and are seeking to understand how best to do so.

Similarly, from the perspective of the law and legal institutions, this analysis assumes that legal authorities are interested in motivating employees to follow the law and are trying to understand the strategies that companies should be encouraged to follow to achieve this objective. In this case, the arguments outlined may well apply to corporate leaders as well as employees. Legal authorities need to create a strategy that will motivate corporate leaders to follow the law, and the arguments outlined here apply directly to that task.

I.   BACKGROUND

My goal is to compare the utility of two approaches to employee regulation: the *command-and-control model* and the *self-regulatory model*. The command-and-control model represents a traditional approach to encouraging rule following insofar as it operates by drawing upon employees' instrumental concerns and utility-maximization goals. Specifically, the

89 CAL. L. REV. 917, 917-98 (2001); YOAV VARDI & ELY WEITZ, MISBEHAVIOR IN ORGANIZATIONS: THEORY, RESEARCH AND MANAGEMENT 3-4 (2004).

command-and-control model links employees' motivation to follow rules to the manipulation of sanctions in the work place. It is based on the view that people follow rules as a function of the costs and benefits they associate with doing so.

The command-and-control model reflects a strategy of *external regulation* whereby employee behavior is controlled by managers through their ability to implement sanctions and to punish undesired behavior. In contrast, the self-regulatory model is based upon the activation of *internal motivations*. This distinction develops from prior social-psychological research,[3] which distinguishes between compliance based upon external contingencies and self-regulation linked to identification and internalization.[4] The *self-regulatory model* represents an alternative approach to employee rule following. The model emphasizes the role that employees' ethical values play in motivating rule following and, in particular, those ethical values that are related to—and developed in the course of interactions with—their work organization. That is, I focus on those ethical judgments that are linked to employees' specific experiences at their work organizations. This can be contrasted to a focus on individual differences in ethical judgments—i.e., to those aspects of people's personalities that shape how they judge particular ethical matters. My focus on organizationally-based ethical judgments is rooted in an interest in determining the characteristics of work environments—as opposed to individuals—that may shape employee rule following. This emphasis has the potential to be of particular utility to leaders and managers in their attempts to design workplace environments that foster rule-following among employees.

Two specific ethical judgments that are linked to organizational conditions are considered here: (1) the perceived legitimacy of organizational rules and authorities and (2) the congruence of those rules with an employee's moral values. The self-regulatory model argues that the concerns embodied in these two ethical judgments have the potential to motivate employees to feel a personal responsibility for bringing their behavior into line with corporate rules and policies. It is based

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[3] *See* Herbert C. Kelman, *Compliance, Identification, and Internalization Three Processes of Attitude Change*, 2 J. CONFLICT RESOL. 51, 53 (1958).

[4] This distinction is extended to organizational arenas, HERBERT C. KELMAN & V. LEE HAMILTON, CRIMES OF OBEDIENCE 103-12 (1989) and to work settings, Charles A. O'Reilly & Jennifer A. Chatman, *Organizational Commitment and Psychological Attachment*, 71 J. APPLIED PSYCHOL. 492, 492-99 (1986).

on the assumption that people are motivated to align their behavior with the rules of organizations or groups they belong to when they view those groups as being legitimate and consistent with their own sense of right and wrong.

The first goal of this analysis is to compare the relative efficacy of the two distinct strategies outlined. While the use of sanctions represents a traditional management strategy to securing employee compliance with organizational rules and policies, I consider recent studies that directly examine whether activating employees' ethical values is an effective management strategy for securing their compliance. The use of such a self-regulatory model has been long advocated within discussions of legal regulation of business,[5] and has been advanced with particular frequency in recent years.[6] The studies examined test whether employees' ethical values can in reality—as hypothesized by self-regulatory models—provide a viable basis for encouraging employee policy adherence.

The second goal of this paper is to examine the antecedents of employee ethical values. To the extent that the self-regulatory model represents and describes an important influence on employee policy adherence, it becomes important to understand the factors that shape whether or not employees come to hold ethical values that encourage such adherence. Drawing upon the literature on procedural justice, it is hypothesized that employees' ethical values will be activated and will be more salient in decision making when employees evaluate their organization as being governed according to fair procedures. This prediction is linked to one of the core hypotheses of the group engagement model[7]: that procedural-

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[5] *See generally* PHILIP SELZNICK, LAW, SOCIETY, AND INDUSTRIAL JUSTICE (1969).

[6] *See* Clifford Rechtschaffen, *Deterrence vs. Cooperation and the Evolving Theory of Environmental Enforcement*, 71 S. CAL. L. REV. 1181, 1198-1201, 1243-44 (1998); Marius Aalders & Ton Wilthagen, *Moving Beyond Command and Control: Reflexivity in the Regulation of Occupational Safety and Health and the Environment*, 19 LAW AND POLICY 415, 415-43 (1997); John Darley et al., *Enacting Justice: The Interplay of Individual and Institutional Perspectives*, 458, 458-476 *in* THE SAGE HANDBOOK OF SOCIAL PSYCHOLOGY (Michael A. Hogg & Joel Cooper eds. 2003); Darren Sinclair, *Self-Regulation Versus Command and Control? Beyond False Dichotomies*, 19 L. & POL. 529, 529-59 (1997); Mark Suchman, *Managing Legitimacy: Strategic and Institutional Approaches*, 20 ACAD. MGMT. REV. 571, 571-610 (1995); Tom R. Tyler, *Trust and Law-Abidingness: A Proactive Model of Social Regulation*, 81 B.U. L. REV. 361, 361-62 (2001).

[7] *See* TOM R. TYLER & STEVEN L. BLADER, COOPERATION IN GROUPS: PROCEDURAL JUSTICE, SOCIAL IDENTITY, AND BEHAVIORAL ENGAGEMENT 16 (2000); Tom R. Tyler & Stephen L. Blader, *Can Business Effectively Regulate Employee*

justice judgments are central to shaping employee cooperative behavior. This procedural-justice hypothesis has been supported by prior studies of rule following in legal[8] and managerial[9] settings, although it has not received universal support.[10] If supported by research, this model provides a theoretical perspective within which managers can develop a strategy for activating employees' ethical values in work settings and thus secure employee compliance with work rules and policies.

What are the behaviors we are interested in motivating employees to engage in?

There are several frameworks within which to conceptualize the ways in which employees may follow or break organizational rules, and this study will examine each of them. Two aspects of policy-related behavior are considered here: policy adherence and rule breaking. On the one hand, organizations want employees to *adhere to organizational policies*. Organizational rules and policies stipulate desired employee behavior, and the organization benefits when those policies are followed. For example, organizational rules often specify behaviors about how work should be carried out, when people arrive at work, etc. Such rules facilitate coordination between employees and ensure the smooth functioning of the organization. This aspect of rule following involves conformity to organizational policies since it encourages employees to align their behavior with organizational rules.

I further distinguish between two forms of policy-adherence behavior: conformity with organizational policies and voluntary deference to organizational policies. The roots of this distinction lie in the literature on obeying the law, which distinguishes between compliance with the law and voluntary, willing acceptance of the law.[11] The same distinction is important in work settings.[12]

Conduct?: The Antecedents of Rule Following in Work Settings, ACAD. MGMT. J. (forthcoming 2005).

[8] *See generally* TOM R. TYLER, WHY PEOPLE OBEY THE LAW (1990).

[9] *See* COOPERATION IN GROUPS, *supra* note 7, at 77-89.

[10] *See, e.g.*, K. Kuperan & Jon G. Sutinen, *Blue Water Crime: Deterrence, Legitimacy, and Compliance in Fisheries*, 32 LAW & SOC'Y REV. 309, 328 (1998).

[11] *See* Kelman, *supra* note 3, at 51-60 (1958); TYLER, *supra* note 8; TOM R. TYLER & YUEN J. HUO, TRUST IN THE LAW 47-76 (2002).

[12] *See* O'Reilly & Chatman, *supra* note 4, at. 492-99.

The distinction between these two forms of behavior lies in the circumstances under which employees indicate that they follow rules. In terms of compliance, people indicate how often they follow the rules across all settings. With voluntary, willing acceptance, on the other hand, they indicate whether they follow the rules even when they do not have to, when no one is around, and when their behavior is not being monitored. In other words, when it comes to voluntary deference, people choose to follow the rules even when failing to do so will not be detected. Hence voluntary deference refers to rule following in that subset of situations in which issues of detection are largely or completely irrelevant.

On the flip side of conformity or deference to organizational policies lies deviant behavior by employees, or *behaviors that are damaging and prohibited by organizational rules*. For example, employees may use office supplies for personal use or use sick leave when not sick. More seriously, employees may steal or break organizational rules by lying and cheating. I refer to this deviant behavior as *rule breaking* because it involves the decision to ignore or violate organizational rules.

Naturally, companies want to reduce the degree of rule breaking that occurs among employees. For instance, a widely damaging form of inappropriate employee behavior is theft of business supplies and equipment. It is estimated that 30% to 50% of all business failures are linked to losses from employee theft, a problem that is ten times more costly than street crime in terms of loss to society, and whose costs are often estimated to be in the hundreds of billions of dollars in the United States alone.[13] Again, the magnitude of these losses, and the suggestion that up to 75% of employees engage in theft in their workplace, indicates the challenge posed in trying to manage this problem.

II.   MODELS OF MOTIVATION AND POLICY ADHERENCE

Command-and-control.   The   command-and-control perspective focuses on controlling people's behavior via the threat of punishments or sanctions for misbehavior. To the degree that employees are motivated instrumentally—and are

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[13] *See* Jerald Greenberg, *The STEAL Motive: Managing the Social Determinants of Employee Theft*, *in* ANTISOCIAL BEHAVIOR IN ORGANIZATIONS 85 (Robert Giacalone & Jerald Greenberg eds. 1997).

thus primarily interested in the resources and outcomes they receive from their organizations—some external authority, either the company or the government, needs to take an active role in enforcing rules regarding their conduct. In other words, to the extent that employees are extrinsically motivated, extrinsic forces are needed to regulate their behavior. In organizational settings, such extrinsic forces typically take the form of incentives (to encourage desired behavior) and sanctions (to discourage undesirable behavior). Incentives and sanctions in many ways represent two sides of the same extrinsic motivational coin—each is an organizational mechanism used to control employee behavior via employees' concerns over the resources and benefits the organization provides them. There is already discussion in the organizational literature about problems with incentives,[14] as well as a parallel discussion regarding the potential inadequacies and pitfalls of punishments as motivational tools.[15]

Many of the features of the modern workplace are the product of the use of command-and-control model. For example, the extensive use of surveillance techniques—such as the use of cameras, the monitoring of telephone calls and computer usage, etc.—is an artifact of the implementation of command-and-control techniques. Random drug testing, searching employees' cars and lockers, and the use of time clocks and other performance-tracking devices similarly reflect the view that compliance develops from a credible fear of detection and ensuing sanctions. This instrumental strategy addresses the issue of employee motivation from the perspective of traditional economic theory—i.e., by assuming that employees are rational actors who are concerned primarily about maximizing their own outcomes in work settings.[16] Studies generally support the suggestion that instrumental strategies do, as expected, shape people's behavior,[17] with some studies supporting this argument in work settings.[18]

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[14] *See generally* ALFIE KOHN, PUNISHED BY REWARDS (1999).

[15] *See* BRUNO S. FREY, NOT JUST FOR THE MONEY 80-82 (1997).

[16] *See* Margaret M. Blair & Lynn A. Stout, *Trust, Trustworthiness, and the Behavioral Foundations of Corporate Law*, 149 U. PA. L. REV. 1735, 1737 (2001).

[17] *See* Daniel S. Nagin, *Criminal Deterrence Research at the Outset of the Twenty-First Century, in* 23 CRIME AND JUSTICE: A REVIEW OF RESEARCH 1, 12-23

However, the use of instrumental strategies—and the command-and-control strategy in particular—requires the availability of resources. For sanctions and deterrence systems to work, organizations must be able (and willing) to devote significant resources to the surveillance needed to make detection of rule breaking sufficiently likely so that people are deterred. The cost of such surveillance should not be underestimated, since employees are inherently motivated to conceal their rule-breaking behavior and effective surveillance systems are essential for sanctioning systems to shape behavior. Incentive strategies do not have surveillance problems, but require the availability of resources for incentives as well as a system to define and evaluate performance.

In addition to their financial costs to the organization, there are also social costs associated with command-and-control systems. These systems have the potential to communicate a message of mistrust in employees, conveying a sense that the organization is an adversarial force to the employee. Significant repercussions on employee commitment and identification with the organization may thus result. Furthermore, interpersonal dynamics may often be affected, as employees that maintain surveillance systems are pit against those being scrutinized.

Perhaps most importantly, it is also not clear how effective command-and-control strategies are. For example, in legal settings sanction-based deterrent strategies are consistently found to have, at best, a minor influence on rule-breaking behavior.[19] In his review of the deterrent effect of drug laws, for example, MacCoun finds that only about five percent of the variance in drug use is explained by deterrence factors.[20] Based upon their workplace-based study, Tyler and Blader

(1998); Daniel Nagin & Raymond Paternoster, *The Preventive Effects of the Perceived Risk of Arrest: Testing an Expanded Conception of Deterrence*, 29 CRIMINOLOGY 561, 561-85 (1991); Raymond Paternoster, *Decisions to Participate in and Desist From Four Types of Common Delinquency: Deterrence and the Rational Choice Perspective,* 23 LAW & SOC'Y REV. 7, 24-25 (1989); Raymond Paternoster, *The Deterrent Effect of the Perceived Certainty and Severity of Punishment*, 4 JUST. Q. 173, 173-217 (1987).

[18] *See* Mark A. Huselid, *The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance*, 38 ACAD. MGMT. J. 635, 635-72 (1995); G. Douglas Jenkins et al., *Are Financial Incentives Related to Performance?*, 83 J. APPLIED PSYCHOL. 777, 777-87 (1998).

[19] Robert J. MacCoun, *Drugs and the Law: A Psychological Analysis of Drug Prohibition*, 113 PSYCHOL. BULL. 497, 497-512 (1993); TYLER, *supra* note 8.

[20] *See generally* MacCoun, *supra* note 19.

estimate that around ten percent of the variance in employee behavior is shaped by incentives in the work environment.[21] These results suggest that, while such systems are somewhat effective, they may only have a limited impact on employee behavior.

More generally, in recent years the limits of the command-and-control model have been noted.[22] However, this increasing skepticism has occurred within the arena of legal regulation,[23] and less so in discussions of work organizations. Thus, the managerial relevance of these critiques remains an open issue.

Of course, command-and-control strategies do not only exist within organizations. Organizations also function within a framework of government-imposed legal prohibitions and administrative requirements that are also based on incentive and sanction systems.[24] Even at this more macro level, the utility of those systems has been increasingly questioned. For instance, they have been referred to as "ossified" systems that make "compliance difficult and impractical."[25] An additional difficulty often noted in this domain is the problem of monitoring behavior.[26] Within the legal literature on government regulation, such skepticism about command-and-control strategies has lead to the flourishing of market-based models of regulation that emphasize economic incentive systems.[27]

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[21] *See* COOPERATION IN GROUPS, *supra* note 7, at 38-42.

[22] *See* Brent Fisse, *Reconstructing Corporate Criminal Law: Reference, Retribution, Fault, and Sanctions,* 56 S. CAL. REV. 1141 (1983); J.M. BRETT, *Commentary on Procedural Justice Papers*, *in* NEGOTIATING IN ORGANIZATIONS 165, 165-76 (Max H. Bazerman & Roy Lewicki eds., 1983); BRENT FISSE & JOHN BRAITHWAITE, CORPORATIONS, CRIME AND ACCOUNTABILITY (1993); Neal Kumar Katyal, *Deterrence's Difficulty*, 95 MICH. L. REV. 2385, 2416-20 (1997); Timothy F. Malloy, *Regulation and the Compliance Norm* (2002) (unpublished manuscript, on file with author); David L. Markell, *The Role of Deterrence-Based Enforcement in a "Reinvented" State/Federal Relationship: The Divide Between Theory and Reality*, 24 HARV. ENVTL. L. REV. 1, 1-30 (2000); Jon G. Sutinen & K. Kuperan, *A Socio-Economic Theory of Regulatory Compliance*, 26 INT'L J. SOC. ECON. 174, 174-93 (1999).

[23] *See* TYLER & HUO, *supra* note 11, at 19-24.

[24] *See* JONE L. PEARCE, ORGANIZATION AND MANAGEMENT IN THE EMBRACE OF GOVERNMENT 12-14 (2001); STEPHEN G. BREYER ET AL., ADMINISTRATIVE LAW AND REGULATORY POLICY (5th ed. 2002); NEIL GUNNINGHAM & PETER GRABOSKY, SMART REGULATION: DESIGNING ENVIRONMENTAL POLICY (1998).

[25] *See* Spence, *supra* note 2, at 918.

[26] *See* Donald C. Langevoort, *Monitoring: The Behavioral Economics of Corporate Compliance with Law*, 2002 COLUM. BUS. L. REV. 71, 83-88 (2002).

[27] Richard B. Stewart, Administrative Law in the 21st Century, Presentation at New York University Law School (February 10, 2003).

Self-regulation. An alternative model of employee policy adherence is one in which the motivation to follow organizational rules resides in the employees themselves and not in extrinsic incentives or sanctions stipulated by the organization. According to such a model, employees can be intrinsically motivated to follow organizational rules—that is, they will do so out of their own desires and not in response to the regulations put in place by the organization to provide sanctions for employee misbehavior and/or incentives for desired employee behavior. The self-regulatory model tested in these studies specifically examines the role of employees' ethical values in shaping intrinsic motivation to follow rules. The success of this approach depends upon the power of employees' ethical values to motivate their rule and policy-following behavior in the workplace.

Calls for greater attention to ethics in business school curricula and for more attention to ethical issues in work cultures flow from the belief that employees' ethical values can be developed and activated within work settings.[28] This belief, when combined with the assumption that ethical values can have an important role in shaping behavior, thus argues for the importance of corporate cultures that shape ethical values in ways that promote employee policy adherence. That is, to the extent that ethical values affect employee rule following, the challenge is to create organizational cultures that harness the motivational power of employees' ethical values.

Several types of evidence suggest that ethical values may shape employee behavior. Research suggests that ethical concerns motivate self-regulatory behavior in organizational settings.[29] This includes studies focused on legitimacy,[30] on

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[28] *See* NORMAN E. BOWIE, BUSINESS ETHICS: A KANTIAN PERSPECTIVE (1999); Schminke, 1998; LINDA KLEBE TREVIÑO & GARY R. WEAVER, MANAGING ETHICS IN BUSINESS ORGANIZATIONS 159-90 (2003).

[29] *See* Aalders & Wilthagen, *supra* note 6, at 415-43); Neil Gunningham & Joseph Rees, *Industry Self-Regulation: An Institutional Perspective*, 19 LAW & POL'Y 363, 363 (1997); Andrew A. King & Michael Lenox, *Industry Self-Regulation Without Sanctions*, 43 ACAD. MGMT. J. 698, 698-716 (2000); Rechtschaffen, *supra* note 6, at 1181-1272; Sinclair, *supra* note 6.

[30] *See* Sherrie E. Human & Keith G. Provan, *Legitimacy Building in the Evolution of Small Firm Multilateral Networks: A Comparative Study of Success and Demise*, 45 ADMIN. SCI. Q. 327, 327-65 (2000); Suchman, *supra* note 6, at 571-610; TYLER, *supra* note 8; COOPERATION IN GROUPS, *supra* note 7, at 57-64; Tyler & Blader, *supra* note 7; Monica A. Zimmerman & Gerald J. Zeitz, *Beyond Survival: Achieving New Venture Growth by Building Legitimacy*, 27 ACAD. MGMT. REV. 414, 414-43 (2002).

morality,[31] and on the general role of fairness in shaping social behavior.[32] Ethical values that encourage people to support the organization shape behavior when those people believe that the rules of their organization are legitimate (and hence ought to be obeyed) and/or that the values defining the organization are more congruent with their own moral values.

There is evidence of the importance of ethical values at the organizational level as well. Studies show that companies are reluctant to use their market power to lower employee wages during recessions because they believe such an action will be viewed by employees as unethical,[33] that companies often forgo opportunities to press their market advantages when dealing with their customers due to ethical concerns,[34] and that ethical issues shape wage determinations[35] as well as other aspects of the employment relationship.[36] These studies argue that companies are motivated to respond to ethical issues because they believe that ethical judgments shape people's reactions and behavior,[37] an argument supported by studies suggesting that companies regarded as ethical by employees, customers, and other constituencies are more profitable.[38]

I focus on the influence of two particular types of ethical values. The first is the belief held by employees that their organization's rules and authorities are *legitimate*. Legitimacy refers to the view held by employees that they are responsible for obeying organizational rules—e.g., that the organization is

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[31] *See* Raymond Paternoster & Sally S. Simpson, *Sanction Threats and Appeals to Morality*, 30 LAW & POL'Y 549, 549-84 (1996); TYLER, *supra* note 8; COOPERATION IN GROUPS, *supra* note 7, at 72-75; Tyler & Blader, *supra* note 30.

[32] Matthew Rabin, *Incorporating Fairness into Game Theory and Economics*, 83 AM. ECON. REV. 1281, 1281-1302 (1993); COOPERATION IN GROUPS, *supra* note 7, at 72-75; Michael P. Vandenbergh, *Beyond Elegance: A Testable Typology of Social Norms in Corporate Environmental Compliance*, 22 STAN. ENVTL. L.J. 55, 102-06 (2003).

[33] *See* TRUMAN F. BEWLEY, WHY WAGES DON'T FALL DURING A RECESSION 173-80 (1999).

[34] *See generally* Daniel Kahneman et al., *Fairness and the Assumptions of Economics*, 59 J. BUS. 5285 (1986).

[35] *See* Albert Rees, *The Role of Fairness in Wage Determination*, 11 J. LABOR ECON. 243, 243-53 (1993).

[36] Seth D. Harris, *Conceptions of Fairness and the Fair Labor Standards Act*, 18 HOFSTRA LAB. & EMP. L.J. 19 (2000); Christine Jolls, *Fairness, Minimum Wage Law, and Employee Benefits*, 77 N.Y.U. L. REV. 47, 51 (2002).

[37] Samuel Estreicher, *Human Behavior and the Economic Paradigm at Work*, 77 N.Y.U. L. REV. 1, 4 (2002).

[38] Huselid, *supra* note 18, 635-72.; JOSHUA DANIEL MARGOLIS & JAMES PATRICK WALSH, PEOPLE AND PROFITS?: THE SEARCH FOR A LINK BETWEEN A COMPANY'S SOCIAL AND FINANCIAL PERFORMANCE (2001).

entitled to have its rules and policies obeyed. Although early discussions of legitimacy, such as the work of Weber, focus on the perceived legitimacy of government and law,[39] it is clear that legitimacy is also an important concept in the context of work organizations.[40] In work settings, legitimacy refers to the judgment that "the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions."[41] If people feel that their organization has legitimacy, they are motivated to defer to its rules and policies.

The second ethical value is the belief held by employees that corporate policies are congruent with their own personal *moral values*. If employees believes that such value congruence exists, they will be motivated by their own moral values to follow corporate rules because they will see those rules as being consistent with—and developed from—a set of moral values with which they agree. Thus, they may follow rules in their effort to do what they feel is morally right. For example, in legal settings an important motivation that encourages people to bring their behavior into line with the law is their belief that many behaviors that are illegal are also immoral.[42] Similar moral values are found to shape cooperation within experimental games.[43] If people feel that their organization acts in ways consistent with their own moral values, they are more strongly motivated to support their organization.

Conversely, in situations in which employee behaviors are contrary to official policy but viewed by people as not being immoral—such as drug use, some sexual practices, and the illegal use of copyrighted software—it is more difficult to bring people's behavior into conformity with the law. Employee theft may be another behavior that violates corporate policy but that is not viewed by employees as immoral when it is done to restore the equities in the employee/employer relationship.

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[39] Tom R. Tyler, *Why People Cooperate with Organizations: An Identity-Based Perspective*, 21 RES. IN ORGANIZATIONAL BEHAV. 201, 201-46 (1999).

[40] *See* SELZNICK, *supra* note 5, at 139-43 (1969); Suchman, *supra* note 6, at 571-610.

[41] *See* Suchman, *supra* note 6, at 571-610

[42] *See generally* TYLER, *supra* note 8.

[43] Norbert L. Kerr, *Norms in Social Dilemmas*, *in* SOCIAL DILEMMAS 31, 36-41 (David A. Schroeder ed., 1995); Norbert L. Kerr et al., *That Still, Small Voice: Commitment to Cooperate as an Internalized Versus a Social Norm*, 23 PERSONALITY & SOC. PSYCHOL. BULL. 1300, 1300-11 (1997); Nobert L. Kerr & C.M. Kaufman-Gilliland, *Communication, Commitment, and Cooperation in Social Dilemmas*, 66 J. PERSONALITY & SOC. PSYCHOL. 513, 513-529 (1994).

Similarly, employees in work organizations evaluate the morality of company policies and practices and react to those policies and practices in moral terms.[44] Adherence to those policies is more likely when they are viewed as morally appropriate.

III. ETHICAL VALUES AND WORKPLACE RULE ADHERENCE

The findings of recent research support the argument that employees' ethical values shape their behavior and, in particular, their rule-following behavior. One example is provided by Tyler and Blader,[45] who reported two studies: one of a sample of corporate bankers and another of a large and diverse sample of American employees.[46] Analysis of both samples indicates that employee rule following and policy adherence was strongly influenced by employees' ethical values.[47] This included distinct influences of legitimacy and moral-value congruence.[48]

These findings suggest that companies benefit by fostering ethical values in their employees that support rule following. Those ethical values serve as a major motivation for employees to comply with company policies and rules and consequently lead to lower levels of rule-breaking behavior on the part of employees. These results suggest that one promising way to bring the behavior of corporate employees into line with corporate codes of conduct is to tap into their ethical values. Because these values are central to the self-regulatory strategy for achieving employee compliance, companies should activate employee values in order to gain acceptance for corporate rules and policies.

Of course, the activation of employee values is not the only way to influence rule-related behavior. Organizational sanctions for rule-breaking may likewise motivate employees to follow organizational policies, as suggested by the command-and-control model. However, in the two studies reported here, the utility of that approach appears to be smaller in magnitude. These findings suggest that companies have a great deal to gain by going beyond instrumental strategies of

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[44] *See* Paternoster & Simpson, *supra* note 31.

[45] *See* Tyler & Blader, *supra* note 30.

[46] *Id.*

[47] *Id.*

[48] *Id.*

social control and focusing their attention on the activation of employee values that are consistent with a self-regulatory strategy. Overall, studies indicate that such a strategy is viable and, furthermore, that this strategy is superior to the more traditional command-and-control approach.[49]

The empirical support outlined above suggests the utility of the self-regulatory strategy. Such an approach also has benefits over a command-and-control strategy. For instance, it prevents organizations from expending resources on creating and maintaining credible systems of surveillance to enforce rules. These enforcement problems are typical of any efforts to regulate conduct using incentive or sanction-based strategies. Even worse, such strategies actually encourage people to hide their behavior and thus make it necessary to have especially comprehensive and costly surveillance systems.

Besides their actual costs, an additional problem associated with these strategies is that they undermine employees' commitment to their company and enjoyment of their jobs. Employees' intrinsic motivations and commitment to their company is undermined when their focus is on avoiding sanctions and, as a consequence,[50] they contribute less to their workplaces. Hence the downside to sanctions and the surveillance associated with them is that these measures hurt company productivity by undermining the ethical values that encourage commitment to work.[51]

This is not to say that command-and-control systems cannot work. They can, especially if organizations devote sufficient resources to them. For example, some companies engage in extensive monitoring, even putting cameras in restrooms and monitoring telephone and e-mail communication. They may also try to create conditions under which behavior is easily monitored by, for example, requiring employees to time punch in and out of their workplace, to sign out equipment or tools, or to work in publicly-accessible spaces. Clearly, such efforts consume organizational resources. Even if they work, these strategies are costly and inefficient.

The findings of the studies considered point to the potential value of using the self-regulatory approach to motivate employees. By activating employees' own ethical

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[49] *Id.*

[50] FREY, *supra* note 15, at 88-104.

[51] *See* COOPERATION IN GROUPS, *supra* note 7, at 55-57.

values, companies can gain willing cooperation from their employees. By having people regulate themselves, such willing cooperation becomes much more efficient and effective. In such a model, employees take on the responsibility to follow rules and undertake this responsibility without being concerned with the likelihood of being caught and punished for wrongdoing.

In recent decades, it has become widely recognized that self- regulation has value. Self-regulation is widely touted as a means of lessening the costs of government regulatory agencies and generally avoiding the problems that occur when government seeks to regulate business.[52] These same arguments can be applied within companies. Companies benefit when they can develop self-regulatory strategies that encourage their employees to take increased responsibility for rule following.

Earlier studies in the area of everyday law-related behavior highlight the important role ethical values play in encouraging citizens to comply with the law.[53] It has been shown that people are more likely to comply with laws when they feel that legal authorities are legitimate and ought to be obeyed. The findings noted support this argument and extend it to a different arena—employees and their relationship to their corporate employers. Recent corporate scandals have highlighted the importance of understanding better how to motivate employee compliance with corporate codes of conduct.

The influence of ethical judgments in these studies is especially striking because the influence of ethical values in the work arena has traditionally been downplayed in favor of alternative instrumental or "rational" approaches. These studies suggest that a model of motivation that only considers rational motivations is incomplete and does not take account of the important role that social motivations can play in shaping employee rule-following behavior.

The current findings also extend previous work by considering the social value of value congruence (i.e., the match between the person's moral values and those of the organization) in addition to that of legitimacy. In other words, people who experience justice when dealing with their work

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[52] *See* Clifford Rechtschaffen, *Cooperation and the Evolving Theory of Environmental Enforcement*, 71 S. CAL. L. REV. 1181, 1198-99 (1998); King & Lenox, *supra* note 29, at 698-716; Gunningham & Rees, *supra* note 29, at 363-414; Aalders & Wilthagen, *supra* note 6, at 415-43.

[53] TYLER, *supra* note 8.

organization first think that its rules are legitimate and ought to be obeyed. They also feel that the values of their work organization are more congruent with their own, so that their own motivation to behave morally leads them to support their work organization. Overall, these findings support the argument that developing an appropriately ethical organizational culture is central to the effectiveness and viability of corporations.

It is especially striking that voluntary deference is linked to ethical motivations. Organizations recognize that they depend heavily on the good-will of employees who are motivated to go beyond their job descriptions and to defer to rules even when surveillance is weak. Such voluntary behavior is central to organizational effectiveness and is strongly motivated by legitimacy and moral congruence.

IV.   WORKPLACE POLICIES AND PRACTICES AND EMPLOYEE ETHICAL VALUES

The *self-regulatory model* operates via the activation of employees' ethical values and feelings of responsibility toward their company. The group engagement model[54] hypothesizes that factors such as employees' ethical values are shaped by employee perceptions of how fairly they are treated by management. As has been noted, the potentially important role of fairness in motivating positive work attitudes and behavior has been recognized by economists as well as by social and organizational psychologists. This approach is based upon a psychological model suggesting that an organizational environment characterized by fair procedures will activate strong employee organizational identification, thus leading employees to engage in desirable workplace behaviors and to hold positive attitudes towards their work organizations.

Various aspects of an organization's policies, human resource practices, and culture may potentially influence employee rule following and employee's ethical values regarding their work organizations. One set of management theories argues that the primary organizational factor shaping employees' reactions to their work organizations is the

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[54] COOPERATION IN GROUPS, *supra* note 7, at 16; Tom R. Tyler & Stephen L. Blader, *The Group Engagement Model: Procedural Justice, Social Identity, and Cooperative Behavior*, 7 PERSONALITY & SOC. PSYCHOL. REV. 349, 349-61 (2003) [hereinafter *Group Engagement Model*].

distribution of outcomes in the work environment. According to these theories, employee attitudes and behaviors are responsive to judgments about the favorability of the outcomes (i.e., resources) provided to them by corporate rules and policies, as well as to the incentives and sanctions associated with their workplace behavior. These arguments flow from an instrumental model that views workers as motivated to maximize the outcomes they receive from their work organizations.

Psychological models of equity and distributive justice also suggest that employees are instrumentally motivated and focus on outcomes. The difference, though, is that these psychological models focus on issues of distributive fairness.[55] They suggest that employees are sensitive to whether or not they feel that they are receiving a fair level of wages and benefits. These models are premised on the idea that workers, recognizing that people cannot have all they want, subsequently form their judgments of whether they are receiving their fair share of workplace resources according to how they react towards their work organization .[56]

An alternative set of management theories argues that employee reactions to their work organizations may be based on their judgments about the fairness of the *procedures* used in their workplace. Factors affecting these fairness judgments may include, for example, whether the procedures allow employees to have input into decision-making processes, whether they require that objective information be used in decision making, whether efforts are made to reduce biased treatment, etc.[57] Widespread evidence from all types of organizations attests to the importance of procedural-fairness judgments in shaping the behavior of employees in work settings.[58] Typical of this research is a study by Kim and

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[55] *See* J. Stacy Adams, *Inequity in Social Exchange*, *in* 2 ADVANCES IN EXPERIMENTAL SOCIAL PSYCHOLOGY 267, 267-99 (Leonard Berkowitz ed., 1965).

[56] *See* ELAINE WALSTER ET AL., EQUITY: THEORY AND RESEARCH 114-42 (1978).

[57] *See* E. ALLAN LIND & TOM R. TYLER, THE SOCIAL PSYCHOLOGY OF PROCEDURAL JUSTICE (1988); Tom R. Tyler & E. Allan Lind, *A Relational Model of Authority in Groups*, 25 ADVANCES IN EXPERIMENTAL SOC. PSYCHOL. 115, 175-76 (1992) [hereinafter *Authority in Groups*].

[58] *See* J.A. Colquitt et al., *Justice at the Millennium*, 86 J. APPLIED PSYCH. 425, 425-45 (2001); R. Cropanzano, *Moral Virtues, Fairness Heuristics, Social Entities, and Other Denizens of Organizational Justice*, 58 J. VOCATIONAL PSYCH. 164, 164-209 (2001); ADVANCES IN ORGANIZATIONAL JUSTICE *passim* (Jerald Greenberg & Russell Cropanzano eds., 2001); *Authority in Groups*, *supra* note 57, at 58; TOM R. TYLER ET AL.,

Mauborgne that demonstrates that procedural-justice evaluations influence the willingness of subsidiaries to accept corporate strategic policy decisions in multinational work organizations.[59] Other studies link the fairness of workplace procedures to employees' willingness to help their work groups voluntarily, to their intention to stay with their company, and to the quality of their job performance.[60]

The procedural-justice argument is based upon the belief that people's procedural-justice judgments are distinct from their instrumental concerns. That is, their reactions to their judgments about the fairness of their organization's procedures is not related to goals they may have regarding the outcomes that they receive from their organization. Instead, they react to procedures because they make inferences about their relational connections and social identities based on the fairness of those procedures.[61] These social-identity judgments about issues such as their standing in the organization, the status of the organization, and their level of identification with the organization, in turn influence their work place attitudes and behaviors.[62] When organizational procedures are regarded as fair, employees feel that they can safely identify with the work organization and thus become engaged in it.[63] This approach is based on the idea that people are influenced by the nature of the organizational environment in which they work so that the "fit" between the practices of the organization and a person's impression of themselves (including their ethical values) is important.[64]

The findings of procedural-justice research lead us to hypothesize that procedural-justice judgments will impact: (1) employees' views about the legitimacy of corporate rules, policies, and authorities, (2) employee perceptions that their

SOCIAL JUSTICE IN A DIVERSE SOCIETY (1997).

[59] *See* W.C. Kim & R.A. Mauborgne, *Procedural Justice, Attitudes, and Subsidiary Top Management Compliance with Multinationals' Corporate Strategic Decisions*, 36 ACAD. MGMT. J. 502, 502-26 (1993).

[60] *See* COOPERATION IN GROUPS, *supra* note 7, at 77-89.

[61] *See Authority in Groups*, *supra* note 57, at 177.

[62] *See* COOPERATION IN GROUPS, *supra* note 7, at 143-68; Tom R. Tyler & Stephen L. Blader, *Identity and Cooperative Behavior in Groups*, 4 GROUP PROCESSES AND INTERGROUP RELATIONS 207, 207-26 (2001); Tyler & Blader, *supra* note 30.

[63] Tyler & Blader, *supra* note 30.

[64] Jennifer A. Chatman, *Improving Interactional Organizational Research: A Model of Person-Organization Fit*, 14 ACAD. OF MGMT. REV. 333, 333-49 (1989); Jennifer A. Chatman, *Matching People and Organizations: Selection and Socialization in Public Accounting Firms*, 36 ADMIN. SCI. Q., 459, 459-84 (1991).

organization's values are consistent with their own, and (3) employees' rule-related behavior. In other words, fair organizational procedures and processes are hypothesized to foster a sense that corporate authorities are legitimate and that the organization itself possesses moral values similar to those of the individual. This activates employees' own internal motivations, and they follow company rules and policies more voluntarily—i.e., they become self-regulating.

Note that this approach can be contrasted to one in which employees' ethical values are shaped by their instrumental concerns. That is, the two instrumental judgments discussed earlier—the favorability or fairness of outcomes received from the organization—may shape the extent to which corporate authorities are viewed as legitimate and the organization itself is perceived as possessing moral values similar to those of the individual. This would be the prediction of instrumental models that emphasize the concern employees have over the outcomes they receive.

We can consider the antecedents of employee ethical values by investigating the relative influence of employees' outcome judgments (such as outcome favorability and outcome fairness) and procedural-justice judgments. The issue is which of these judgments most strongly shape employee perceptions that (1) organizational rules and authorities are legitimate, and (2) that their personal moral values are consistent with those of the organization. To the extent that employee ethical values are linked to their rule-following behavior, this investigation of the organizational antecedents of those judgments is critical for encouraging employee adherence to organizational policies.

The findings of studies conducted in work settings suggest that one way that work organizations can motivate their employees is by exercising authority in ways that will be judged by those employees as fair. Tyler and Blader, for example, find that procedural-justice judgments are the central antecedent of rule following and policy adherence.[65] Those employees who feel that they work in a fair work environment are especially willing to undertake personally the responsibility to follow company policies, with the obvious advantage that the company does not then have to compel such behavior. Studies show that procedural-justice judgments have the potential to

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[65] *See* COOPERATION IN GROUPS, *supra* note 7, at 77-89.

shape rule-related behavior, and that that influence is primarily explained by the impact that procedural justice has on ethical values. These findings support the arguments of the group-engagement model, which suggests that cooperation is linked to procedural-justice judgments.

These findings directly support the argument that fair behavior on the part of management motivates desirable behavior by employees. Hence, it is important for companies to be concerned about acting in ways that employees will judge to be fair. By acting fairly, companies motivate employees both to follow company policies and refrain from engaging in actions that undermine the company—actions ranging from theft to sabotage. These actions are costly to the company, undermine efficiency and effectiveness, and make clear why companies should be motivated to understand and respond to employees' feelings about what is fair.

Many organizations already recognize this strategy, and act fairly toward their employees. The findings outlined here indicate that these intuitions are correct and support the wisdom of managing through fairness. Further, they support a particular view about what type of fairness to be concerned about. Both employees and researchers distinguish two forms of fairness: distributive and procedural.[66] Distributive fairness is concerned with the fairness of a person's outcomes, while procedural justice is concerned about whether the decision is made in a fair manner. In particular, however, these studies indicate that it is primarily a *procedurally*-just workplace that encourages ethical values and rule-following behavior.

Of course, companies are hierarchical, with rules and policies flowing down from top levels of management. If upper management does not itself support the value of rule following and conformity to ethical codes of conduct, as appears to have been the case in the recent Enron scandal, then the motivation to create a supportive corporate culture may not exist among managers. Knowing how to create an ethical culture will be unimportant in that case since upper management will not be motivated to act toward the objective. Further, employees are likely to become aware that company policies are not aligned with their own moral values and they will become less committed to following company rules and policies.

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[66] *See* TYLER ET AL., *supra* note 58.

In a situation of this type, the effectiveness of regulation falls on the ethical values of semiautonomous groups, such as external lawyers or accountants, whose ethical values may have been activated by their own organizations, and/or to government regulators, who again may be motivated by their own ethical concerns. Or it is shaped by the law and legal institutions through the policies they adopt for dealing with businesses and the people within them.

These findings have optimistic implications for the ability of organizational authorities to encourage rule-following behavior among their employees. Authorities are seldom in the position to expend excessive organizational resources on monitoring and punishing employee misbehavior. The procedural-justice perspective suggests that people will comply with and, more strikingly, voluntarily defer to rules when they feel that their organization's rule-making authorities are following fair procedures when they exercise their authority and make managerial decisions. This strategy similarly promotes the view amongst employees that organizational authorities are legitimate and that the moral values of the organization correspond with their own personal moral values. From an organizational point of view, what makes such a finding optimistic is that the creation and implementation of procedures that all individuals perceive as fair is not restricted in the same way that allocations of resources are. Procedural fairness is not finite, particularly since it is based on ethical criteria.

Interestingly, the procedural-justice perspective is consistent with emerging trends in law and the legal regulation of business. As command-and-control based strategies of regulation have increasingly been questioned, government regulatory agencies have developed a variety of strategies for enlisting businesses and other "stakeholders" in the formulation and implementation of regulatory policy. These include negotiation to reach consensus on administrative regulations,[67] cooperative arrangements for delivering social services,[68] and joint efforts to manage wildlife and wildlands.[69]

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[67] *See* Cary Coglianese, *Assessing Consensus: The Promise and Performance of Negotiated Rulemaking*, 46 DUKE L.J. 1255, 1264-66 (1997).

[68] *See* Stewart, R.B. *Administrative law in the 21ˢᵗ century*. Presentation at the New York University Law School. (February 10, 2003).

[69] *See* Bradley C. Karkkainen, *Collaborative Ecosystem Governance: Scale, Complexity, and Dynamism*, 21 VA. ENVTL. L.J. 190, 240-42 (2002).

These policies decentralize power to "enable citizens and other actors to utilize their local knowledge to fit solutions to their individual circumstances."[70] All of these efforts involve procedures for decision making that embody the procedural-justice values of voice, participation, neutrality, and acknowledging the rights, needs and concerns of people involved in the decision. This does not mean that they involve wide employee participation, but rather that they reflect the values inherent in procedural-justice perspectives on management.

V.   WHAT IS A FAIR PROCEDURE?

From a management perspective, procedural-justice judgments are most useful to managers if employees distinguish them from outcome judgments and rely on distinct procedural-justice assessments when evaluating the actions of management. Based upon research in work settings, I argue that employees' views about the fairness of corporate procedures are, in fact, heavily influenced by distinct judgments about procedural fairness that are not linked to the favorability or fairness of the outcomes that results from those procedures.[71] These include, for example, whether the procedures allow employees to have input into evaluations, whether they require that objective information be used, whether they try to control the influence of bias, etc.[72] Recent research draws upon the four-component model of procedural justice and tests the importance of four potential procedural-justice criteria.[73]

Understanding the nature of employees' procedural justice judgments is central to efforts to design a corporate culture that encourages supportive employee values and that enhances employee rule-following behavior. The argument advanced here is that the potential impact of these procedural issues lies in the ability of corporations to design systems of management that are sensitive to employee procedural concerns even when companies cannot or do not provide workers with the outcomes they desire.

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[70] *See* Michael C. Dorf & Charles F. Sabel, *A Constitution of Democratic Experimentalism*, 98 COLUM. L. REV. 267, 267 (1998).

[71] *See* COOPERATION IN GROUPS, *supra* note 7, at 77-89.

[72] *See Authority in Groups*, *supra* note 57, at 175-76.

[73] *See Group Engagement Model*, *supra* note 54, at 349-61.

The four-component model of procedural justice identifies four procedural components, or evaluations, each of which contributes to overall procedural-justice judgments. Those components are defined by: (1) two distinct aspects of organizational processes and (2) two sources of information about procedures. I will discuss the influence of each of these four components on employee definitions of procedural justice.

One of the aspects of organizational processes considered in the model refers to the organization's decision-making procedures. Specifically, the model considers employees' evaluations of the *quality of decision making* in their organization. Consideration of these evaluations links to the elements of legal procedures and emphasizes issues of decision-maker neutrality, the objectivity and factuality of decision making, and the consistency of rule application.[74]

There is a distinct, but potentially equally important issue involving *the quality of people's treatment by organizational authorities*. Quality of interpersonal treatment issues constitute the second aspect of organizational processes. Quality of treatment involves treatment with politeness and dignity, concern for people's rights, and other aspects of procedures that are not directly linked to the decisions being made through the procedure.

Each of these two aspects of procedures (quality of decision making, quality of treatment) can potentially be linked to two sources of procedure. One source of information involves *the rules of the organization*. The formal rules and structures of the organization, as well as statements of organizational values, communicate information about organizational procedures. For example, organizations vary in terms of whether they have formal grievance procedures that allow people to voice complaints. They also differ in their statements of corporate values ("corporate vision statements"). For example, one common formal organizational statement that concerns relationships among employees is to "[t]reat each other with respect, dignity, and common courtesy" and "express disagreements openly and respectfully." These are both statements about the type of procedures that the corporation views as reflecting its values.

The other source of information is *an employee's experience with his or her supervisor or supervisors*. While they

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[74] *See generally Authority in Groups*, *supra* note 57.

are constrained by formal institutions and procedures, organizational authorities typically have considerable discretion concerning the manner in which they implement decision-making procedures and how they make decisions regarding issues that have no formal procedures associated with them. Further, they have a great deal of flexibility about how they treat those with whom they deal. The same decision-making procedure can be implemented either in a way that emphasizes the dignity of those involved or in a manner that treats employees rudely or dismissively. A similar situation is found within the law. While there are formal laws and rules constraining the conduct of police officers and judges, those authorities typically have considerable latitude when exercising their authority within the framework of those rules.

The four-component model argues that each of the four components defined by these two dimensions has an important role in the definition of the fairness of procedures. While the four-component model provides a guideline for the types of evaluations that compose overall evaluations of an organization's procedural justice, the essential argument advanced here is that the nature of those evaluations is non-instrumental and non-material. Neither of the aspects of organizational processes emphasized in this model of the antecedents of procedural justice (quality of decision making, quality of treatment) is directly linked to evaluations of the favorability or fairness of the outcomes people receive.

The four-component model highlights a set of procedural criteria that are distinct from judgments about the favorability or fairness of employees' outcomes. This is, of course, typical of procedures in any type of organization. We can, for example, distinguish the adversary trial procedure from the verdict of the trial and can contrast that procedure with other ways of making decisions, such as the inquisitorial trial procedure.

Four criteria of procedural justice are typically measured in studies of work settings: organizational-level quality of decision making, organizational-level quality of treatment, supervisor-level quality of decision making, and supervisor-level quality of treatment. Procedural criteria linked to supervisors, rather than organizational rules, are viewed more positively. That is, employees viewed their supervisors as using fair procedures when implementing organizational policies that they generally viewed as being unfair.

VI.   CONCLUSION

The argument advanced here is in support of a broader view of the employee and of the antecedents of rule-following behavior among employees. We want to articulate and show the importance of a broader and more complete picture of the motivation of employees in work settings. This model looks at the influence of both instrumental and value-based motivations in shaping rule-following behavior. The results presented suggest that such behavior is best explained when both types of motivation are considered together than when either model is taken alone.

The view presented here includes not only the motivations traditionally studied—motivations that are linked to sanctions—but also includes ethical motivations for following group rules. These ethical motivations are linked to concerns about acting in ethical and fair ways in work settings. The case for this broader model rests on the finding that corporate actors are motivated in their rule following by their ethical values concerning legitimacy and morality, their judgments about the procedural fairness of their workplace, and by their assessments of process aspects of procedures. These findings suggest that we would be better able to understand rule-following behavior in work organizations, as well as other settings, if we adopted a broader model of human motivation that added an account of ethical motivations to our models of employee behavior.

The results outlined suggest that one promising approach to stopping employee misbehavior, and thus the recent wave of corporate scandals that have dominated the business press, is to emphasize the ability of appropriate work cultures to motivate employees to act based upon their feelings of responsibility and obligation to both company codes of conduct and to their own personal feelings of morality. Encouraging such motivations leads to an enhanced likelihood that companies can bring their own behavior into line with their internal principles, as well as formal laws and government regulations, even in the absence of government and corporate regulation.