

How Codes of Ethics Deal with Fear in the Workplace

Pierluigi Santosuosso¹

¹School of Economics, Sapienza University of Rome, Rome, Italy

Correspondence: Pierluigi Santosuosso, School of Economics, Sapienza University of Rome, Rome, Italy. E-mail: pierluigi.santosuosso@uniroma1.it

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Abstract

The relationship between decision-making and emotions has been increasingly explored in the past thirty years by physicians, psychologists and economists. Because of the impact that emotions have on human behaviour, ethical implications need to be examined if we consider that managers could use emotions to motivate employees. This paper analyses the content of the code of ethics of 278 companies listed on the Italian stock exchange in order to verify how the codes take into account the emotion of fear experienced by employees in the workplace. Research findings revealed that companies have failed to consider the word “fear” and most of the other terms expressing similar emotions. On the other hand, their codes of ethics focused on ethical standards that should be respected, such as the dignity of each single individual and on unethical actions that must be avoided, such as acts of physical or psychological violence.

Keywords: code of ethics, fear, emotions, Italian listed companies

1. Introduction

In the last decades, a large number of studies have analyzed the prominent role that emotions have in influencing judgments and choices of individuals (e.g. Loewenstein & Lerner, 2003; Lerner, Li, Valdesolo, & Kassam, 2015). Examples of emotions that have been most frequently analysed by physicians, psychologists and economists are anger, fear, sadness, joy and disgust (e.g. Angie, Connelly, Waples & Kligyte, 2011). These emotions have the potential to affect human reactions, cognition and behaviour. Research literature on emotions and decision-making offers further valuable discussions about various theoretical and practical issues. For example, some studies have argued that emotional displays of other persons are considered as information available to guide our decisions (Campellone & Kring, 2013). A growing body of literature has also investigated how emotions affect ethical decision-making (Etzioni, 1988; Bos & Willmot, 2001; Gaudine & Torne, 2001; Connelly, Helton-Fauth, & Mumford, 2004; Lurie, 2004; Wenstøp, 2005; Krishnakumar & Rymph, 2011; Fetterman & Robinson, 2013; Kligyte, Connelly, Thiel, & Devenport 2013; Lee & Gino, 2015), testifying the importance that emotions play in moral reasoning in the light of Western ethical theories and also Confucian ethics (Zhu, 2015).

We are specifically interested in examining the emotion of fear in the workplace. Fear is commonly considered a basic emotion. Basic emotions, such as fear, anger, sadness, disgust and joy, are not created by human mind but are discovered when various sensory stimuli automatically trigger physical reactions (Izard, 2007; Barnett, 2006). From this point of view, fear is inherent in humans as a defence mechanism that the evolutionary process has selected in order to face situations of impending danger. Although the notion of basic emotion is not without uncertainty (Ortony & Turner, 1990), examples of distinctive features of basic emotions are their neurobiological roots, universal antecedent events and a motor and facial expressions response (Ekman, 1999). Aware of the existence of psychological processes that are beyond a merely natural-kind view of emotions (Barnett, 2006), fear also has the ability to influence the cognitive process and the behaviour of individuals (e.g. Izard, 2007; Lerner, Li, Valdesolo, & Kassam, 2015).

The analysis of fear in a business context also raises issues that have various ethical implications. Just consider that fear could be used unintentionally or deliberately by managers to direct and/or to correct the behaviour of employees in order to achieve business goals, causing physical pain and psychological distress for a short or long period. In view of the impact that fear has on human behaviour, the purpose of this paper is to examine how the code of ethics adopted by many firms around the world deals with this issue by searching for the word “fear” in the content of the codes of ethics and for a number of other words that approximately describe this emotion.

The sample examined in this study contains 278 codes of ethics of companies listed on the Italian stock exchange (Borsa Italiana). Although philosophical thinking on this topic (e.g. Solomon, 2008) would need an in-depth analysis, this study is carried out regardless of an evaluation about the morality of actions that could frighten employees. More specifically, we assumed that the morality of the use of fear by managers to drive employees with a prospect of achieving business goals can be solved in different ways depending on the moral principles of decision-makers (Goodchild, 1986; Reynolds, 2006). For example, if a consequentialist moral doctrine such as utilitarianism affects the choices of managers, the action that frightens some employees and generates pain and unhappiness could be evaluated ethical if it produces an increasing total amount of pleasure and happiness for all the other employees and firm's stakeholders. By contrast, when decision-making is based on a deontological approach, such as Kant's ethics, the action that frightens some employees could be considered inherently unethical since it violates the principle of morality known as Categorical Imperative (for a review of moral doctrines, Shaw, 2005; Velasquez, 2006; Weiss, 2006).

The remainder of this study is organized as follows: the second section provides a review of the related literature, the third section presents the sample of codes of ethics and the survey methodology; the fourth section reports on the results; the last section gives concluding remarks.

2. Theoretical Background

To our knowledge, there is no explicit reference to the emotion of fear in the numerous analyses on the content of the codes of ethics adopted by many firms around the world (Cressey & Moore, 1983; Kaptein, 2004; Carasco & Singh, 2003; Singh, Svensson, Wood, & Callaghan, 2011), just as no mention of the morality of the use of fear by management can be found in the research literature in the field of business ethics.

Although researchers have not specifically addressed the aforementioned issues, several references have been made to the so-called fear of retaliation when employees fear repercussions (in the form of exclusion from decisions, a cold shoulder, verbal abuse, demotion, etc.) as a result of reported misconduct. Retaliation in a business context has been examined in surveys in American workplaces by analyzing the opinions of employees (Callahan & Collins, 1992; Ethics Resource Center, 2014). Fear of retaliation is considered a factor that stops questioning (Flanagan & Clarke, 2007), an obstacle for the creation of an ethical corporate culture (Webley & Werner, 2008) that contributes to the reduced effectiveness of the code of ethics and in general of corporate ethics and compliance programs in both the private-sector (Barnett, 2006; Trevino, Weaver, Gibson, & Toffler, 1999; Guerrette, 1988; KPMG, 2009) and in local government (Van Zolingen & Honders, 2010). To a lesser extent, fear is also used as fear of discipline. Some studies suggested that the fear of disciplinary action resulting from employees' misconduct is a factor that contributes to compliance with the code of ethics (Schwartz, 2001; Laufer & Robertson, 1997).

On the contrary, an essential support for economic research was provided by a large volume of published studies describing the biological and the psychological effects that fear has on human reactions and on decision-making.

The analysis of biological effects provides the first important contribution to the research conducted on fear. Neural circuits involved in fear processing have been explored extensively by neuroscientists based on increasingly technological advanced methods (Dejean et al., 2015; Dunsmoor & Paz, 2015). Although the intricate functioning of the human brain still remains to be discovered, recent studies have suggested that fear is processed by distinct neural substrates (for a review, Herry & Johansen, 2014). Various sensorial stimuli, visual, auditory, olfactory and tactile stimuli, are transmitted to the thalamus (a dual lobed structure situated between the cerebral cortex and the midbrain) and from thalamic nuclei to the amygdala (an almond-shaped structure located in the brain's medial temporal lobe) and to the cerebral cortex. The cerebral cortex also sends information to the amygdala updating fear-related information. The thalamo-amygdala subcortical path-way allows the central nervous system to react rapidly to sensory stimuli while the thalamo-cortex-amygdala path-way gives a more complete assessment of information detected by the sensory system. The amygdala, mediated by the hypothalamus located below the thalamus in the middle of the base of the brain, triggers the autonomic nervous system in a reflexive and involuntary manner, generating an increase in sweating, heart rate, blood pressure, pupil dilation, freezing and facial expression. The physical and psychological distress due to fear responses tend to subside when dangerous situations are no longer looming, unless anxiety disorders take place if fear responses are triggered by innocuous stimuli (for a review, Calder, Lawrence, & Young, 2001; Kim & Jung, 2006; Ledoux & Phelps, 2008; Tsvetkov, Krasnoshchekova, Vesselkin, & Kharazova, 2015).

A second considerable amount of literature has been published on the effects that fear has on a human being's cognitive process which includes perceiving, recognizing, conceiving and reasoning. According to a valence-based approach, where emotions have a bipolar dimension (Angie, Connelly, Waples, & Kligyte, 2011),

empirical studies have suggested that negative (e.g. sadness) or positive (e.g. happiness) affects can induce decision-makers to process information differently. Although several studies were not directly focused on fear, research findings suggested that positive affects tend to be connected with heuristic processing, whereas negative effects are associated with systematic processing of information (for a review, Bless et al., 1996; Tiedens & Linton, 2001; Lerner, Li, Valdesolo, & Kassam, 2015). More specifically, fear has been associated with pessimistic likelihood judgments (Maner & Gerend, 2007) that induce people to make risk-averse choices (Lerner & Keltner, 2001). Risk-averse behaviour was reported in laboratory experiments in the case of stock investment decisions (Lee & Andrade, 2011, 2015), facing terror risk (Fischhoff, Gonzalez, Lerner, & Small, 2005), testing habitual use of emotion regulation strategies (Panno, Lauriola, & Figner, 2013), deciding under time pressure (Hu, Wang, Pang, Xu, & Guo, 2015) and when uncertainty depends on a randomizing device (Kugler, Connolly, & Ordóñez, 2012). Some circumstances affecting the cognitive process have also been explored in several studies. For example, it has been suggested that individuals are less affected by anxiety when they are informed about its source (Yip & Côté 2012). Fear can induce employees to speak openly when they perceive their supervisors prepared to listen to different points of view (Lebel, 2016), fear also leads to focussing excessively on catastrophic events (Chanel & Chichilnisky, 2009) and fearful people are less risk-averse than angry people when uncertainty depends on the behaviour of other persons (Kugler, Connolly, & Ordóñez, 2012) or if financial traders believe that stock values are generated by a computer (Lee & Andrade, 2011).

3. Sample and Methodology

This study examined the codes of ethics of 278 listed companies on the Italian stock exchange including the *AIM Italia market* devoted to small and medium firms (Table 1). Each code of ethics was downloaded from the companies' websites at the date of our analysis (July, 2016). The codes of 130 listed companies were not included in the sample because ethical codes have not been adopted by these companies or were not available on their website. We also excluded from the sample the codes of ethics that were not available in Italian in order to have a more homogeneous sample since the analysis of the content of the codes was carried out by searching exact keywords in Italian. Furthermore, a limited number of codes was excluded (n. 3 codes) since it was not possible to activate the "search" function for a PDF document. On the basis of these selection criteria, the companies included in our sample operate in various industries and account for 68% of Italian listed companies.

The analysis of the codes was carried out by searching for the word "fear" and for a number of words that approximately have a similar meaning, namely, "anxiety", "terror", "panic", "distress", "dismay", "oppression", "humiliation", "discomfort", "offense" and "pain" (group 1). Although the above mentioned words indicate emotions that are not identical to each other, these terms express a situation of physical or psychological harm.

Second, some words with a positive value were also examined. In this group, we considered the terms "listening", "dialogue", "dignity", "serenity" and "sensibility" (group 2). *Ceteris paribus*, the presence of these terms presumably reveals the attention that companies should have for the emotions and feelings of each single individual. The use of the terms included in this group of words that have a double meaning in the economic context has been avoided as much as possible (e.g. market abuse versus sexual abuse). In a few cases, the research has required a detailed and separate analysis of the content of the codes in order to identify the appropriate meaning of these terms. In particular, the words "dialogue" and "listening" were recorded only if they refer to employees with the exclusion of the other stakeholders.

Lastly, the analysis was conducted by searching for the words that denote the types of action that can frighten employees. These terms are "harassment", "intimidation", "reprisals", "humiliate", "threat", "violence", "coercion", "blackmail" and "retaliation" (group 3).

We counted the number of the *pth* word (WD) that was found in each code of ethics. On the basis of these data, several variables were provided for each of the three above-mentioned groups of words. More specifically, in the present analysis, NW denotes the total number of the *pth* word that was found in all the codes of ethics included in our sample. NC is the total number of codes containing the *pth* word and NC% shows the ratio of NC to the total number of ethical codes included in the sample. MEDIANW and MEANW are respectively the median and the mean of the frequency distribution of the *pth* word WD that was found in each code of ethics. Similarly, the 10th and the 90th percentile were also computed. In addition to the above-mentioned variables, we focused on a measure of statistical dispersion in order to analyse the inequality of the distribution of WD. In particular, we computed the Gini coefficient of WD (GINIW). The Gini coefficient measures the statistical dispersion with values between 0 and 1. A Gini coefficient of 1 expresses maximal inequality among values whereas the coefficient of 0 corresponds to perfect equality.

Table 1. Sample of 278 companies listed on the Italian stock exchange

A2a	Bca P. Em. R	Cofide Spa	Fidia	Juventus Fc	Piaggio	Siti - B&T
Acea	Bca Pop Etr. L.	Conafi Prestito'	Fiera Milano	K.R.Energy	Pierrel	Snai
Acotel	Bca Pop Milano	Credem	Fila	L'oreal	Pininfarina Spa	Snam
Acsm-Agam	Bca P. Sondrio	C. Valtellinese	Fincantieri	La Doria	Piquadro	Softec
Aedes	Bco Desio Br.	Csp Int.	Finacobank	Landi Renzo	Piteco	Sogefi
Aeffe	Bco Sardegna	D'amico	Fintel Energia	Leonardo – Fin.	Plt Energia	Sol
Aeroporto di Bo	Be	Dada	First Capital	Leone Film Gr.	Poligraf. S. F	Stefanel
Air Liquide	Beghelli	Daimler	Fnm	Linde	Poligrafici Edit	Stefanel
Airbus Group	Beiersdorf	Damiani	Fullsix	Lucisano M. Gr	Poligrafici Pr.	Tamburi
Alcatel-Lucent	Best Union C.	Danieli & C	Gabetti	Luxottica Gr.	Poste Italiane	Tas
Alerion	Bialetti Indus.	Danone	Gala	Lventure Gr.	Prelios	Tbs Group
Allianz	Biancamano	Datalogic	Gas Plus	M&C	Premuda	Tecnogym
Ambientesis	Biesse	De'longhi	Gefran	Mailup	Prima Industrie	Tecnoinvest.
Ambromob.	Bio On	Dea Capital	Generali Ass	Maire Tecn.	Pr. Sui Motori	Telecom Italia
Amplifon	Bmw	Deutsche Bank	Geox	Marr	Prysmian	Tenaris
Ansaldo Sts	Bnp Paribas	Diasorin	Giorgio Fedon	M. Zanetti Bev.	Rai Way	Terna
Ascopiave	Boero Bartol.	Digital Bros	Go Internet	Mc-Link	Ratti	Termienergia
Assiteca	Bomi Italia	E.On	Gr Green Power	Mediacontech	Rcs Mediagroup	Tesmec
Astaldi	Bon. Ferraresi	Ecosuntek	Gr Waste Italia	Mediaset S.P.A	Recordati Ord	Tiscali
Astm	Brembo	Edison	Henkel Vz	Mediobanca	Renault	Tod's
Atlantia	B. Cucinelli	Eems	Hera	Meridie	Reno De Medici	Toscana Aerop.
Autogrill Spa	Buzzi Unicem	Ei Towers	I.M.A	Methorios Cap.	Reply	Trevi Fin Ind
Autostrade M.	Cad It	El.En	Igd	Mid Ind. Cap.	Retelit	Triboo Media
Azimut	Caleffi	Elica	Immsi	Mittel	Risanamento	Txt E-Solutions
B&C Speakers	Caltagirone	Emak	Imvest	Moleskine	Rosss	Ubi Banca
Banca Generali	Caltagirone Edit	Enav	Industria e Inn.	Moncler	Rwe	Unicredit
Banca Ifis	Campari	Enel	Iniz. Bresciane	Mondadori Ed.	Sabaf	Unipol
Banca Interm.	Carraro	Enervit	Interpump Gr.	Mondo Tv	Saes Getters	Unipolsai
Banca Mediol.	Cattolica Ass	Engie	Intesa Sanpaolo	Monrif	Safilo Group	Vetrya
Banca Sistema	Cdr Advance C.	Eni	Inv. e Sviluppo	Mp7 Italia	Saipem	Vianini
Banco Popolare	Cembre	Erg	Inwit	Mutuonline	Salini Impregilo	Visibilia Editore
Banco Santand.	Cementir Hldg	Esprinet	Irce	Net Insurance	S.Ferragamo	Vita Societa Ed.
Banzai	Cent. Latte To	Eukedos	Iren	Nice	Sanofi	Vittoria Ass
Basicnet	Cerved Inf.	Eurotech	Isagro	Noemalife	Saras	Volkswagen
Bastogi Spa	Chl	Evonik Ind.	Isagro Az. Svil.	Nova Re	Save	Yoox Net-A-P.
Bayer	Cia	Exor	Italcementi	Olidata	Servizi Italia	Zephyro
Bca Carige	Ciccolella	Exprivia	Italia Indep.	Openjobmetis	Sesa	Zignago Vetro
Bca Finnat	Cir	Falck Renew.	Italiaonline	Ovs	Sias	Zucchi Spa
Bca Mps	Class Editori	Ferrari	Italmobiliare	Parmalat	Siemens	
Bca P. Spoleto	Cnh Industrial	Fiat Chrysler	Ivs Group	Philips	Sintesi	

Note. The sample is composed of the codes of ethics of 278 Italian listed companies available on the company website (July, 2016). Codes are included in the sample if a PDF Document in Italian was available.

4. Results

The results of the analysis of the codes of ethics are presented in Table 2. In particular, Panel A of Table 2 shows the variables related to the word “fear” and to the words that have a similar meaning, Panel B presents the findings relating to the words with a positive value and Panel C contains the main results for the words that denote the types of action that can frighten employees. The analysis revealed two main findings.

First, companies have failed to consider the word “fear” and most of the terms expressing similar emotions, whereas the words that express positive ethical values and actions that should be avoided were used more frequently. In more detail, the word “fear” was detected only twice in a single code of ethics in relation to sexual, racial and religious discriminations (see the L’Oréal company’s code) and a limited number of observations relating to the words of the first group was found. Accordingly, the Gini coefficient for the entire group 1 of words assumed a value close to 1 ($GINIW = 0.7981$), suggesting the presence of a high degree of inequality about the use of these words. When the analysis focused on the words of group 3 that refer to the types of action that can frighten employees, a greater number of observations and a higher equality ($GINIW = 0,6249$) were detected. An example of this type of expression commonly used in the codes is “the Company protects workers from acts of psychological violence and is opposed to any attitude or action that harms a human being” (see the Astaldi company’s code). Furthermore, the frequency of the words that express a positive value included in group 2 was higher than the frequency found in the other two groups and the inequality among observations, measured by the Gini coefficient, was much lower ($GINIW = 0,4555$).

Table 2. Content Analysis Results

Word (WD)	NW	NC	NC%	MEDIANW	MEANW	10th perc.	90th perc.	GINIW
Panel A – Group 1								
Fear	2	1	0.36%	2	2.000	2	2	0.9964
Anxiety	0	0	0.00%	0	0.000	0	0	
Terror	1	1	0.36%	1	1.000	1	1	0.9964
Panic	0	0	0.00%	0	0.000	0	0	
Distress	0	0	0.00%	0	0.000	0	0	
Dismay	0	0	0.00%	0	0.000	0	0	
Oppression	9	8	2.88%	1	1.125	1	1.3	0.9740
Humiliation	4	4	1.44%	1	1.000	1	1	0.9856
Discomfort	42	37	13.31%	1	1.135	1	1	0.8818
Offense	49	39	14.03%	1	1.256	1	2	0.8844
Pain	1	1	0.36%	1	1.000	1	1	0.9964
Total	109	75	26.98%	1	1.453	1	3	0.7981
Panel B – Group 2								
Listening	45	28	10.07%	1	1.607	1	3.3	0.9286
Dialogue	30	17	6.12%	1	1.765	1	3.4	0.9585
Dignity	552	222	79.86%	2	2.487	1	5	0.4817
Serenity	28	26	9.35%	1	1.077	1	1	0.9126
Sensibility	109	77	27.70%	1	1.416	1	2	0.7821
Total	764	233	83.81%	3	3.278	1	6	0.4555
Panel C – Group 3								
Harassment	78	54	19.42%	1	1.444	1	2	0.8549
Intimidation	30	27	9.71%	1	1.111	1	1.4	0.9115
Reprisals	3	1	0.36%	3	3.000	3	3	0.9964
Humiliate	4	4	1.44%	1	1.000	1	1	0.9856
Threat	60	37	13.31%	1	1.622	1	3	0.9095
Violence	144	91	32.73%	1	1.582	1	3	0.7736
Coercion	10	10	3.60%	1	1.000	1	1	0.9640
Blackmail	3	3	1.08%	1	1.000	1	1	0.9892
Retaliation	143	117	42.09%	1	1.222	1	2	0.6451
Total	475	177	63.67%	2	2.683	1	5	0.6249
Overall total	1347	244	87.77%	4	5.524	1	10.7	0.4588

Note. Group 1 contains the word “fear” and similar words; Group 2 includes words with a positive value; Group 3 presents words expressing types of action that can frighten employees.

Second, companies tend to use unequally the terms examined in this study as revealed, with some exceptions, by the low values of NC% and by the high values of the Gini Coefficient. The most frequently used word was “dignity” in group 2 (NW = 552), which was found in almost 80% of the codes of ethics (NC% = 79,86%) with a Gini Coefficient of 0,48. This term was often used by companies in order to underline their commitment in “protecting the physical and moral integrity of employees ensuring safe and healthy work environments and working conditions that respect the individual dignity” (see the Hera company’s code). The use of the word “violence” (NW = 144), “retaliation” (NW = 143) and “sensibility” (NW = 109) showed a lower percentage of NC% (NC% = 32,73% for “violence”, NC% = 42,09% for “retaliation” and NC% = 27,7% for “sensibility”) and a higher GINIW that varies between 0,64 and 0,78. The other words analysed in this study were used by companies in a much lower percentage not exceeding 20% (in particular, for the word “harassment”) with higher values of the Gini Coefficient (around or above 0,9). About 12% of the codes included in the sample did not show any of the words included in the three groups of words.

In sum, research findings revealed the exclusion in formal terms of fear from the ethical standards set out in the code of ethics as shown by the non-use of the word. On the other hand, codes of ethics mainly focused on ethical standards that should be respected and on unethical actions that must be avoided.

5. Concluding Remarks

A considerable amount of literature has been increasingly published in the last decades on emotions by physicians, psychologists and economists. Like other basic emotions, fear affects human reactions altering individuals’ choices and behaviours. On the basis of these phenomena, fear could therefore be used by managers to motivate employees to achieve business goals with a number of relevant ethical questions. This paper has explored the content of the code of ethics of 278 companies listed on the Italian Stock Exchange in order to verify whether fear is formally taken into account by management when ethical values are set out in the codes.

This study revealed two main findings. First, our analysis documented the non-use of the word “fear” in the

ethical standards set out in the code of ethics and a limited number of similar words were also reported. On the other hand, the codes of ethics took into account, with numerous observations, the ethical standards that deserve to be held in respect and unethical actions that should be avoided. However, it remains unclear if the codes really have framed and defined the issue of fear in a business context. Second, our examination suggested that companies tend to use unequally the words analysed in this study as revealed, with some exceptions, by the high values of the Gini coefficient.

The results of the content analysis have at least two implications. First, although further research should be done to investigate this issue, the research findings of the present paper provide insight into the current codes of ethics practices related to the use of the word “fear” and to the actions that can frighten employees. A second important implication is that ethical dilemmas involving the emotion of fear should be taken into account by management when a code of ethics is adopted. The value of dignity, sensitivity and/or the actions expressed by the words “violence” and “retaliation” do not focus precisely on the emotion of fear that employees could experience in a business context.

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