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Strategic approaches of corporate codes of ethics in Australia: a framework for classification and empirical illustration

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Purpose – Research has so far not approached the contents of corporate code of ethics from a strategic classification point of view. Therefore, the objective of this paper is to introduce and describe a framework of classification and empirical illustration to provide insights into the strategic approaches of corporate code of ethics content within and across contextual business environments.

Design/methodology/approach – The paper summarizes the content analysis of code prescription and the intensity of codification in the contents of 78 corporate codes of ethics in Australia.

Findings – The paper finds that, generally, the studied corporate codes of ethics in Australia are of standardized and replicated strategic approaches. In particular, customized and individualized strategic approaches are far from penetrating the ethos of corporate codes of ethics content.

Research limitations/implications – The research is limited to Australian codes of ethics. Suggestions for further research are provided in terms of the search for best practice of customized and individualized corporate codes of ethics content across countries.

Practical implications – The framework contributes to an identification of four strategic approaches of corporate codes of ethics content, namely standardized, replicated, individualized and customized.

Originality/value – The principal contribution of this paper is a generic framework to identify strategic approaches of corporate codes of ethics content. The framework is derived from two generic dimensions: the context of application and the application of content. The timing of application is also a crucial generic dimension to the success or failure of codes of ethics content. Empirical illustrations based upon corporate codes of ethics in Australia's top companies underpin the topic explored.

Introduction

Corporate codes of ethics are one of several influences on business ethics within and across cultures. In a model that goes beyond philosophically-based ethics, Stajkovic and Luthans (1997) use social-cognitive theory as a springboard to identify factors influencing business ethics standards and conduct. They propose that a person's perception of ethical standards and subsequent conduct is influenced by institutional factors (e.g. ethics legislation),
personal factors (e.g. moral development), and organizational factors (e.g. code of ethics). Within the cultural context, these key antecedent factors interact to influence ethical standards (Stajkovic and Luthans, 1997). Generally, the focus of this paper is limited to the content of code of ethics.

Research has so far not approached the contents of codes of ethics from a strategic point of view. For example, research has not considered the classification in terms of standardization, replication, individualization and customization of the meaning of corporate codes of ethics within and across contextual business environments. Therefore, the objective of this initial research effort is to introduce and describe a generic framework of classification to provide insights into the diverse strategic approaches of corporate codes of ethics content within and across contextual business environments. The current study uses corporate codes of ethics collected from Australian corporations as empirical illustrations (i.e. a selection of sample extracts).

**Frame of reference – corporate codes of ethics**

Langlois and Schlegelmilch (1990) define a corporate code of ethics as a statement setting down corporate principles, ethics, rules of conduct, codes of practice or company philosophy concerning responsibility to employees, shareholders, consumers, the environment, or any other aspects of society external to the company. These documents vary in length, breadth of topics covered and the extent to which topics are covered.

Berenbeim (2000) cites three trends as evidence of the growing importance of corporate codes of ethics: the globalization of markets and the need for core principles that are universally applicable; the acceptance of these codes as part of the corporate governance of the company as illustrated by increased participation of boards in their development; and the improved ethical literacy of senior managers as illustrated by the increasing sophistication of the codes.

In previous research, the contents of corporate codes of ethics have been analyzed according to scales derived from Cressey and Moore (1983), Mathews (1987), Lefebvre and Singh (1992), Wood (2000) and Svensson and Wood (2004). Cressey and Moore (1983) examined the codes of ethics of 119 US corporations against a number of criteria:

- policy area (conduct on behalf of the firm, conduct against the firm, and integrity of books and records);
- authority – precepts, trends, or principles that make a code seem ethical, morally necessary, or legitimate; and
- compliance procedures – the methods specified for monitoring, enforcing, sanctioning or otherwise ensuring compliance with the provisions of a code.

Mathews (1987) analyzed the codes of 202 of the most profitable American corporations using an extension of the Cressey and Moore technique. Content was classified as follows:
1. categories of behavior and actions covered by the code;
2. enforcement procedures; and
3. penalties for non-compliance.

These three broad categories contained a total of 64 items and each item was assessed as:

- not discussed;
- discussed;
- discussed in detail; and
- emphasized.

Lefebvre and Singh (1992) modified the Mathews technique for their study of Canadian corporations, which in turn was modified by Wood (2000) for his study of Australian corporations. Wood's methodology did not assess the degree to which items were discussed in the codes, but measured only the frequency of mention. Wood (2000) argued that the amount of space devoted to an item within the code may not necessarily correlate with the importance that the company attaches to it and that the space devoted to it may be a result of the difficulty of expressing the concept and not as an indicator of its relative importance to the corporation. Singh et al. (2005) analyzed 197 corporate codes of ethics (i.e. 78 Australian, 80 Canadian and 39 Swedish) based on seven dimensions and 61 items. Svensson and Wood (2004) examined and described the content of codes of ethics in the Swedish public sector. Their research reports on the responses of 27 (out of 100) public sector units that possessed a code of ethics. The principal contribution of this work is a customized public sector-scale to measure and evaluate the content of codes of ethics artifacts in public sector units consisting of seven dimensions and 41 items. Because of the specific characteristics of the public sector, this scale differs to a large extent from the private sector-scales in literature (e.g. Cresssey and Moore, 1983; Lefebvre and Singh, 1992; Wood, 2000; Singh et al., 2005).

Langlois and Schlegelmilch (1990) compared European and American corporate codes of ethics. They found differences between the European and American codes, with the first being that the European codes were more recently developed than the US codes. Moreover, they found that while most ethical issues transcend national barriers there were differences in the issues addressed by US and European (British, French and West German) codes. In particular, they concluded that European companies emphasized employee responsiveness to company activities, while firms in the USA stressed company responsiveness to employee requirements of fairness and equity. Further, the study found differences among the codes of British, French and German companies.

Other researchers have also found differences in ethical beliefs across cultures. Becker and Fritzsche (1987) in a study of American, French, and German managers sought their views on five vignettes on coercion and control, conflict of interest, the physical environment, personal integrity and paternalism. Generally, the American managers responded differently from the European managers, but there were also differences between the responses of the French and German respondents. This finding supports Stajkovic and Luthan's (1997) contention that the analysis of ethical business standards and the resulting ethical behavior is grounded in the unique characteristics of each national culture. In their social cognitive
model of business ethics across cultures, they proposed that institutional factors, personal factors and organizational codes of ethics also influence ethical standards and conduct. Singh et al. (2005) came to the conclusion that there is a stronger formalization of rules reflected in the Australian and Canadian corporate codes of ethics, as compared to the Swedish codes, that reflect the different uncertainty avoidance values in these countries. The Swedish codes are also less regulatory than the Australian and Canadian codes in respect to the mentioning enforcement procedures within the code contents.

In the studies of codes of ethics and ethical values across cultures, it has been realized that ethical beliefs vary across cultures and that the emphasis on certain aspects of the content of a code of ethics may also differ between cultures. These findings have been found across European cultures, yet many of the corporations studied would be doing business in other parts of the world where cultural values and norms may be quite divergent from the parent company or even from accepted European cultural mores. This interest led the researchers to postulate the framework of strategic classification approaches to code content as discussed in the next section of this paper. Were there discernible differences in the emphasis on certain aspects of the codes to be studied and were these differences culturally specific? If these differences did exist was there any evidence to suggest that the companies studied had tailored their codes in order to account for these cultural differences?

**Framework of classification – strategic approaches**

The framework of classification used in the current study differs from the previous ones by Cressey and Moore (1983), Lefebvre and Singh (1992), Wood (2000), Svensson and Wood (2004) and Singh et al. (2005). These research efforts focus on the content of codes of ethics. The research at hand focuses on the contextual consideration of code prescription and the intensity of codification in the content of codes of ethics in companies operating in the Australian private sector.

The content of corporate codes of ethics is surrounded by the corporation’s business operations and their different contextual business environments. The contexts surrounding the codes of ethics are highly dynamic, therefore, it is important to be aware that corporate codes of ethics should be regarded as dynamic artifacts, instead of static ones. Cressey and Moore (1983), Lefebvre and Singh (1992), Wood (2000) and Singh et al. (2005) have studied the static content of codes, whereas this study provides an initial and important insight into the dynamic features of corporate codes of ethics.

The content of corporate codes of ethics should evolve and adapt as contextual changes occur in business operations of a corporation's business environments. The content refers to the code prescription and the intensity of codification used in codes of ethics, while the context refers to the business environment for which the code of ethics has been developed. There are a number of potential strategic approaches to corporate codes of ethics. The code of ethics content, in conjunction with the reigning code of ethics context, provides a fundament to distinguish a set of strategic approaches of corporate codes of ethics. They may be derived from two principal dimensions, namely the application of
content and the context of application. The dynamic features inherent and derived from these two dimensions (i.e. meaning of content and context) in corporate codes of ethics may be divided into a selection of strategic approaches (see Table I), all of which apply to both the corporation's ethical values and principles used in business conduct.

On the one hand, the context application dimension may be divided into two sub-categories: within the same and across different contextual business environments. On the other hand, the content dimension may also be divided into two sub-categories: uniform and flexible meaning and interpretation to the code of ethics content. Four generic strategic approaches of corporate codes of ethics may be distinguished based upon these four sub-categories:

1. **Standardized strategic approach** means that the corporation applies a uniform meaning and interpretation to the code of ethics content within the same contextual business environment (e.g. all suppliers or customers). This approach assumes the universal applicability of the meaning of the corporate code of ethics content and that it is consistent within the same context. Furthermore, it relies on the fact that there are no essential or evident differences between the ethics values and principles in the corporation's contextual business environment at hand that justify a flexible meaning or interpretation of the code of ethics content, but a standardized meaning is appropriate and sufficient.

2. **Replicated strategic approach** means that the corporation applies a uniform meaning and interpretation for the code of ethics content across different contextual business environments (e.g. industries and marketplaces). This approach assumes the universal applicability of the meaning of the corporate code of ethics content and that it is consistent across different contexts. Furthermore, it relies on the fact that the potential or recognized differences between the ethics values and principles in the corporation's different contextual business environments do not require a flexible meaning or interpretation of the code of ethics content, but replication is appropriate and sufficient.

3. **Individualized strategic approach** means that the corporation applies a flexible meaning and interpretation of the code of ethics content within the same contextual business environment (e.g. an industry or a marketplace). This approach assumes the need for the tailored interpretation of the corporate code of ethics content (although the contextual business environment is the same). Furthermore, it relies on the fact that each cultural business environment is unique and requires separate and close attention to the reigning ethics values and principles of that contextual business environment. The meaning and interpretation of the content of the codes of ethics, therefore, is required to some extent to be individualized.

4. **Customized strategic approach** means that the corporation applies a flexible meaning and interpretation of the code of ethics content across different contextual business environments (e.g. industries or marketplaces). This approach assumes the need for an adaptive interpretation of the corporate code of ethics content (e.g. customer or supplier criteria). Furthermore, it relies on the fact that the recognized differences between the ethical values and principles across the corporation's contextual business environments to some extent require the meaning and interpretation of the code of ethics content to be customized.
Methodology

The purpose of this study was to examine the dynamic features of the content of the codes and to examine, according to a specific method, the contents of corporate codes of ethics in Australia. This research reports on the diverse strategic approaches and summarizes the issues addressed in the introduced framework of classification in the codes of ethics of the top 500 corporations in Australia.

A survey document of 19 pages was sent to the public relations managers of the top 500 Australian companies (based on revenue) operating in the private sector (Shoebridge, 2000). Companies were asked to answer the set of questions in the survey and to supply a copy of their code of ethics. The 479 packages delivered elicited 173 responses, with 49 companies indicating various reasons for not participating in the study, 30 indicating that they did not have a code, 81 indicating that they did have a code (65 sent codes and questionnaires) and another 13 companies who declined to fill in the questionnaire, but who provided their code. The useable response rate was therefore 25.9 percent. This paper reports on those 78 companies that possessed and sent their codes of ethics for examination by the researchers.

Empirical findings

Previously, it was argued that the meaning of the content of corporate codes of ethics may benefit from being flexible and adaptable as contextual changes occur in the business operations and various business environments of corporations. Different strategic approaches to the content of corporate codes of ethics may be identified (see Table I). The code of ethics content, in conjunction with the reigning code of ethics context, provides a fundament to distinguish these strategic approaches. In the list below a selection of sample extracts illustrates the diverse strategic approaches identified in the examined code of ethics contents in the top corporations of Australia:

1. **Standardized strategic approach:**

   ... reaffirms the general business principles that govern each of the companies which make up the group of companies conducts it affairs ...

   ... to observe all applicable laws ...

   ... provides guidelines and information to assist in understanding ethical values and standards of behavior that apply in all our daily business activities ...

   ... stipulates the standards of behavior and conduct of all employees ...

   ... you are expected to behave with fairness, respect and honesty in all your dealings within the corporation be it with fellow workers, customers or suppliers ...
... perform our work safely and in accordance with the law ...

... apply to the whole of the company, its subsidiaries and business units, and to every employee ...

... applies to all employees, from the most senior to the most junior staff ...

... employee must comply with all state and federal laws and regulations ...

... everyone is equal when it comes to observing the code ...

... employees must comply with the letter and, where it is clear, the spirit of all laws and regulations relating to their business conduct ...

2. *Replicated strategic approach*:

... we must resist any temptation to modify our standards regardless of the situation ...

... it provides guidance in ethical issues ...

... treat customers, the public and fellow employees with honesty, courtesy and respect ...

... employees should conduct themselves in an ethical manner at all times ...

... has adopted policies which commit it to meeting its responsibilities in areas where ethical or legal issues arise ...

... managers are expected to lead according to our standards of ethical conduct, in both words and actions ...

... expects all employees of the company and its subsidiaries to act in accordance with the highest standards of personal and professional integrity in all aspects of their employment and to comply with all applicable laws, regulations, and company policies ...

... every individual in the company is required to act in accordance with both the letter and spirit of these principles ...

... expects the highest levels of personal conduct by all its employees, whatever their position ...

... strikes a balance between different environments ...

... guided by principles of non-discrimination and respect for human rights and individual freedom ...
... all employees are urged to recognize, value and exemplify ethical conduct ...

... disassociate yourself from participation in any possibly illegal activity with competitors, confine your communication to what is clearly legal and proper ...

... recognizing the complexities of a business operating in different environments across the globe, the company aspires to be regarded as a good corporate citizen wherever it conducts business and it is committed to the core values of civic society ...

3. *Individualized strategic approach:*

... the rules are not exhaustive ...

... we need to maintain our commitment to community accepted standards ...

... this means not only complying with the law, but abiding the highest principles of integrity, honor and concern for one another ...

... it is our policy to go beyond the letter of the law and comply with its spirit ...

... supports and protects the dignity, well-being, and rights of those with whom it is directly involved: its employees and their families, and the local communities which are neighbors of its operations ...

... goes beyond the legal minimums ...

... it would be wonderful if the right thing to do were always perfectly clear. In the real world of business, however, things are not obvious ...

... can only be translated into reality by the daily behavior of each and every one of us ...

... while specific examples are offered to illustrate various situations, it needs to be stressed that these are not exhaustive ...

... ethical behavior goes beyond complying with laws ...

... we respect diversity within humanity including gender, spiritual values, sexual preference, age, disability and culture and provide services to support this ...

... we are creative and dynamic in our response to the challenges facing society ...

4. *Customized strategic approach:*

... wherever we operate, we work as closely as possible with our hosts, respecting laws and customs, minimizing adverse impacts ...
... we seek to make lasting contributions to local communities and to be sensitive to their culture and way of life ...

... wherever the group operates, good relations with its neighbors are fundamental ...

... knowing that each local community is different, the policy is that every operation shall strive to understand and interact constructively with its local communities and to assist their development ...

... requires continuing and effective two way communications and realistic expectations on both sides ...

... local circumstances may place particular demands on the way consideration is given ...

... the company will comply with all laws and regulations in each country where it operates, and will apply the standards reflecting the company's aspiration to best international practice ...

... the group is a decentralized, diversified group of companies with widespread activities, and each company has a wide freedom of action ...

... employees who accept an international assignment are responsible for familiarizing themselves and their accompanying family members with the norms, laws and customs of the country in which they will be living and working ...

The selection of sample extracts of standardized strategic approaches from the examined Australian codes of ethics in (1) shows that corporations apply a uniform meaning to the code of ethics content within the same contextual business environment. A major part of the Australian corporate codes of ethics that were examined relies on content such as the sample extracts provided in (1). Apparently, the examined corporations presume to a large extent the universal applicability of the content of their code of ethics. They may also presume that the content is consistent within the same context. Furthermore, there is a perception that there is no essential or evident differences between the ethics values and principles in the corporation's contextual business environment at hand that justify a flexible meaning of the code of ethics content within the same context. Standardization of major parts of the code of ethics content is acknowledged as appropriate and sufficient.

The selection of extracts of replicated strategic approaches from the examined Australian codes of ethics in (2) shows that corporations also apply a uniform meaning to the code of ethics content across different contextual business environments. A substantial part of the examined Australian corporate codes of ethics relies on contents such as the sample extract provided in (2). Subsequently, the studied corporations tend to believe in the universal applicability of their code of ethics content. They also tend to believe that the content is consistent across different contexts. Furthermore, there is a belief that there are no essential or evident differences between the ethics values and principles in the corporation's contextual business environments at hand that justify a flexible meaning of
the code of ethics content. Replication of major parts of the code of ethics content is acknowledged as appropriate and sufficient.

The selection of extracts of individualized strategic approaches from the examined Australian codes of ethics in (3) shows that corporations apply a flexible meaning to the code of ethics content within the same context. A minor part of the examined Australian corporate codes of ethics relies on contents such as the sample extract provided in (3). Accordingly, the examined corporations see to some extent the need for the tailoring of the corporate code of ethics content (although the contextual business environment is the same). They also see that the content is not consistent within the same context. Furthermore, they see that each cultural business environment may be unique and may require separate and close attention to the reigning ethics values and principles of that contextual business environment. Individualization of minor parts of the code of ethics content is to some extent seen to be needed.

The selection of extracts of customized strategic approaches from the examined Australian codes of ethics in (4) shows that in some situations corporations apply a flexible meaning to the code of ethics content across different contextual business environments. A few of the examined Australian corporate codes of ethics rely on content such as the sample extract provided in (4). Presumably, the studied corporations acknowledge the need for adaptation of the corporate code of ethics content. They also acknowledge that the content is not consistent across different contextual business environments. Furthermore, they also see that each cultural business environment is unique and requires separate and close attention to the reigning ethical values and principles of that contextual business environment. Customization of minor parts of the code of ethics content is to some extent seen as necessary and requisite.

**Concluding thoughts and suggestion for further research**

The corporate codes of ethics in Australia studied may, be categorized into standardized and replicated strategic approaches. It is a rather unexpected finding that the contents of the analyzed corporate codes of ethics predominantly rely on standardization and replication considering the fact that there are a set of other strategic approaches of corporate codes of ethics available (see Table I). Many of the studied corporations run international or worldwide business operations that have to confront different contextual business environments. It would have been reasonable to expect a larger part of the content of each code to have relied on a flexible meaning within and across business environments. It would also have been expected to observe more explicit or pronounced adaptations in the corporate codes of ethics content in the same way as other business operations are adapted to each specific marketplace and surrounding society. Apparently, the operational and tactical levels of the studied corporations’ business operations have not influenced the strategic level of current corporate codes of ethics artifacts. Further case studies of best/good practice in terms of customized and individualized strategic approaches of corporate codes of ethics content would make a fruitful contribution to current knowledge in the field.
It is important to remember that a code of ethics is not a rulebook that addresses every ethical issue that might arise. It is neither a summary of all laws and policies that apply, nor is it a contract. Furthermore, it does not replace good judgment, but gives guidance and direction to staff members to assist making the right decisions. Nevertheless, the ways that the content of the corporate codes of ethics are expressed may foreshadow, to a larger or lesser extent, flexible meanings of application rather than uniform ones.

When the corporate uncertainty avoidance increases, then as a consequence, the degree of code prescription and the intensity of codification may also increase (Singh et al., 2005). These parameters reflect the corporate propensity to uncertainty avoidance in corporate codes of ethics in different national cultures. The meaning of the content of these codes should therefore be seen as dynamic, not static, reflecting the need for uncertainty avoidance. The contents of corporate code of ethics may also be interpreted as reflecting an inherent flexibility or inflexibility of meaning towards employees in the corporations' various business operations and different cultural business environments. On the one hand, the code of ethics may contain a high degree of code prescription and codification intensity (i.e. less flexibility of the meaning of the code of ethics content). On the other hand, the code of ethics may contain a low degree of prescription and codification intensity (i.e. more flexibility of the meaning of the code of ethics content). These combinations define the corporation's strategic approach of flexibility and uniformity in the actual meaning of code content towards employees, customers, suppliers and/or other stakeholders.

The need to avoid uncertainty in the marketplace and surrounding society implies a potential inappropriateness of homogenous corporate codes of ethics contents across national and cultural business environments. It also indicates the importance of a flexible meaning and interpretation of the corporate codes of ethics content for multinational corporations in their international and cross-cultural business operations. The diverse national and cultural contexts that corporations encounter in the marketplace and the surrounding society should be taken into consideration in determining the meaning and interpretation of corporate codes of ethics content. Otherwise, these corporate codes of ethics may be seen to be meaningless and may not foster corporate ethical values and principles on the tactical and operational levels. The code may be seen as window dressing on a strategic level, disconnected from the reality of the corporation's business operations and different business environments. All in all, this research has triggered and advanced the search for strategic approaches in corporate codes of ethics content, which complements previous research efforts in the field.

Table 1 Strategic approaches to corporate codes of ethics

References


**Further Reading**


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