Public sector ethics in Sweden: a 4P-model of internal and external determinants in codes of ethics

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Abstract

This article summarizes and aggregates the results of a study conducted of the largest 100 public sector organizations derived from three categories in Sweden. These categories of organizations comprise 40 entities of government, 40 municipalities, and 20 county councils. The objective was to describe the determinants of codes of ethics in Swedish public sector organizations. This research reports on the responses of 27 organizations that possessed a code of ethics. The principal contribution is a 4P-model of seven internal and external determinants in public sector codes of ethics. The identified determinants relate to four principal sectors of a society, namely: public community sector, private corporate sector, private citizen sector, and political/policy conduct sector.

Introduction and research objective

When a company makes its code of ethics available to the marketplace, it does more than just present a document. Encased in this document, it presents its business ethos. It lays bare to all stakeholders the philosophies and values that it contends underpin the organization. Upon a more in-depth examination of codes of ethics, one can often glean the underlying motives for the establishment of the code. A systematic examination of these documents across a number of companies or organizations operating in a defined private or public sector can shed light upon items of commonality and frequency of performance and expectation in relation to business ethics across whole sectors of business.

An extensive body of research literature exists on codes of ethics, but most of this work is centered upon North America and the USA in particular. This research is also private sector-centric (e.g. Cressey and Moore, 1983; Mathews, 1987; Benson, 1989; Dean, 1992; Lefebvre and Singh, 1992; Wood, 2000). There appears not to be any substantial body of literature that is focused upon an examination of the contents of codes of ethics and the related organizational ethics documents in public sector organizations. This paper looks to attempt, in some small way, to redress these imbalances by examining the content of the codes of ethics in public sector organizations in Sweden.

Sweden is a rather unique society in that the public sector is large and still dominates in many areas of the society. The welfare system is to a large extent built upon the public sector. Recently, however there have been a number of instances of deregulation in the public sector, such as within the telecommunications, railway transportation and electricity...
industries. Therefore, to explore the public sector in Sweden in terms of the codes of ethics developed and the documents in place to support these codes the authors contend makes a contribution to the current literature. These efforts could be used as a benchmark and a point of reference for other public sectors around the world. One study has been published in the wider area of business ethics in the private sector in Sweden (Brytting, 1997), but there appears to have been nothing done on codes of ethics documents in the Swedish public sector or elsewhere. Therefore, the overall objective is to describe public sector codes of ethics in Sweden. In particular, it describes the determinants of codes of ethics content in these public organizations.

Frame of reference

The frame of reference that underpins the topic of this research is derived from private sector research, as stated earlier, there appears not to be any research of the contents of codes of ethics performed in public sector organizations. This research should be seen as a point of reference, point of departure or benchmark for developing a conceptual framework in public sector research.

Baumhart’s (1961) seminal work is often perceived as being the first genuine attempt to investigate, in detail, the perceptions of business executives about business ethics. As such, the conclusion seems to have been reached that it was in this period of time when business ethics arose as a topic of interest. Vogel (1991, p. 101) however, contends that ethics in business has been a topic for debate since man first became involved in business enterprises. A number of authors note that an evolutionary process is occurring with respect to business ethics and society (Hay and Gray, 1974; Brooks, 1989; Vogel, 1991). They all believe that the process was in existence well before the latter half of the 20th century and has developed from historical roots embedded within Western capitalist traditions. From the standpoint of these writers, business ethics is not a new phenomenon – merely an evolving one.

Compared with the USA, progress in the UK seems to have been slower. Schlegelmilch and Houston (1990) suggested that in the UK there was a heightened interest in the subject of business ethics around the late 1980s. Maclagan (1992) suggested that the global rise in business ethics was not recognized as applicable by managers to UK industry. It may have appeared to them to have not had relevance. Donaldson and Davis (1990) in the UK context refer to the issues of famous organizational and individual transgressions as “causes célèbres”. These “causes célèbres” are those that have come to prominence because of the lack of business ethics. They believe that there have been a number of major events within the areas of financial services and industrial relations that have spawned an accelerated growth in areas of legislation, deregulation and re-regulation. Codes of ethics have also become more of a focus and the numbers of them have increased. They contend that the increase in activity in these areas is as a direct result of a “search for new principles” and a desire to rediscover principles that applied in the past. The UK in the latter half of the 1980s became aware of business ethics as a topic of interest and concern, and one that should be studied. In comparison to the USA, one could argue that the UK interest was underdeveloped.
As public organizations are subject to much more public scrutiny than private organizations, the need for a code of ethics may be seen to be less pressing. The emergence of administrative reform has created pressures on public organizations to become more cost-effective, more cost-efficient, more commercial, more competitive, more market oriented, more business-like, which raises the issue of ethical versus unethical behavior by public sector organizations. Traditionally, the existing political and administrative scrutiny mechanisms in place for public sector organizations have been presumed to be sufficient to curb or discourage such behavior. Yet, as this transition to a more market-focused public sector occurs, then so could one expect the evolution of business ethics practices in this sector: practices that one could speculate would tend to imitate those practices observed in the private sector of business. If the activities of the public sector are tending to be predicated more on the activities of the private sector, then as well one could surmise that there may be a tendency towards congruence in their ethical artifacts.

**Code of ethics documents**

Corporations today who are achieving notoriety are not a part of a new phenomenon of miscreant unethical and in many cases illegal behavior. They are just part of the new generation of organizations that have run foul of their own greed and desire to maximize their opportunities. They have misread their societal values and companies such as Enron, WorldCom and Arthur Anderson have had to pay the price for their flagrant disregard for both business ethics and the tenets of the law. In the past, many companies and even whole industries, have been placed under intense scrutiny as a result of their perceived poor business ethics practices. Tobacco manufacturers, car manufacturers, asbestos manufacturers, and energy and resources companies, have been cited as having had poor ethical values governing their business operations. The actions of the corporations within these industries have led other corporations to examine their own ethical standards and documents, in an effort to ensure that they too do not achieve their own notoriety, because they themselves have not spent enough time and given enough focus to their own ethical behavior. As public sector organizations move inexorably towards embracing the philosophies that have dominated the private sector for so long, then one could contend that they may leave themselves exposed to the potential miscreant acts that have been perpetrated in the corporate sector: acts that have brought not only individual companies into disrepute, but the business as a whole has suffered.

When organizations realize a need to examine their ethical practices and to move forward proactively in this area, they invariably look to documents that they can institute in order to signal to all stakeholders, both external and internal, that they have a commitment to ethical behavior. The document to which they invariably turn is a code of ethics. Codes of ethics have been proposed by many writers as a means of enhancing the ethical environment of an organization (Adams et al., 2001; Fraedrich, 1992; Gellerman, 1989; Harrington, 1991; Laczniak and Murphy, 1991; Sims, 1991; Somers, 2001; Stoner, 1989; Wood, 2002; Wotruba et al., 2001).

Codes of ethics are one of the tangible ways to examine whether organizations have recognized the need for ethical behavior and have established a commitment to that need. They should make a conscious decision to pursue the goal of having a corporate code of
ethics. The document is one that needs to be constructed based upon the values in business that each organization wishes to enunciate to its employees and the public at large (Weber, 1981; Wood, 2002). It should be framed in respect to the particular business environment in which the organization finds itself (Murphy, 1989). This environment includes a consideration of not only the sector in which it exists, but the culture of the country or countries in which it conducts its affairs. One should be able to investigate the content of the codes to examine whether these contents reflect the culture of the society in which the organizations exist.

Methodology

A three-stage research procedure was used and conducted in order to evaluate the use and content of codes of ethics documents in public Sweden. The public sector in Sweden is divided into three categories, namely entities of government, county councils, and municipalities. The selection of these organizations was based upon their size in terms of revenue in the public sector (SCB, 2002). The selection of population size was subdivided and limited to having 40 entities of government, 40 municipalities, and 20 county councils.

First, a questionnaire was sent to the largest 40 entities of government out of 277, the largest 40 municipalities out of 289, and all 20 county councils out of 20. Consequently, the sample consisted of 100 organizations. The aim of the questionnaire was also to obtain from the participants a copy of their code of ethics, if they had one. The organizations were asked to answer up to 29 questions about the methods used by their organizations to inculcate an ethical ethos into the daily operations of the organization, its leadership and its employees. The second stage involved the content analysis of the codes of ethics supplied by the survey participants. The third stage involved a more detailed follow-up of a smaller group of organizations that appeared to be close to or to represent best practice in respect to codes of ethics in public Sweden. Findings for stages two and three of this three-stage research procedure are reported in this article.

The package sent to each of the organizations contained a covering letter and a questionnaire. The package was sent to the principal human resource manager in each organization rather than the top leadership. This was done in the hope that human resource professionals are focused on staff concerns and that they may have been more knowledgeable and committed to the task at hand than other organizational functionaries. Each respondent was assured of complete anonymity as the results were to be aggregated. Permission to reveal the identity of the best practice organization has been obtained.

Each respondent at each organization was initially contacted by phone in order to confirm their appropriateness to respond to the questionnaire, and at the same time to promote the importance of the survey. Each respondent was also briefly introduced to the research project to stimulate his or her interest and willingness to participate in the survey. Those human resource managers who initially did not return the questionnaire were contacted again by telephone in order to stimulate their interest to fill in the required answers. The close attention to this part of the research led to the achievement of a high response rate. The response rate in stage one was 83 percent with 83 out of 100 organizations returning the completed questionnaire. The response rate per organization category was:
• (82.5 percent) entities of government;
• (92.5 percent) municipalities; and
• (65 percent) county councils.

A total of 27 out of the 83 (32.5 percent) organizations reported that they had a code of ethics. This research is limited to those 27 organizations that had a code of ethics.

Content analysis of the codes of ethics

Mathews (1987) used determinants from which the content analyses of the codes of ethics in her study were made. Her content analyses criteria were based upon the previous research of Cressey and Moore (1983). The frequency of mention of the items within the codes was analyzed. The amount of space devoted to each item was also analyzed. Lefebvre and Singh (1992) used the same method of analysis and based their research upon Mathews (1987). Lefebvre and Singh used seven determinants. Wood (2000) used eight determinants and performed the content analyses differently from Lefebvre and Singh (1992) and Mathews (1987). In Wood’s (2000) case, the frequency of mention was maintained within each item, but the amount of space or implied relative importance of each item was not used. The main reason was that the amount of space devoted to an item within the code may not necessarily correlate with the importance that the organization attaches to it. The space devoted to it could well be a feature of the difficulty in expressing the item. Some of the most central items can be expressed easily because we understand the importance of the item itself and it is integral to our culture. The content analysis of this research uses the approach applied by Wood (2000).

General findings

The content analysis of the codes was based around eight determinants developed for the private sector (Wood, 2000). Initially, the researchers thought that this instrument would be appropriate. Many public sector organizations in Sweden had undergone a privatization process and/or had accepted the principles inherent in managing organizations from a private sector perspective of accountability and thus, the instrument was not originally seen as problematic. The instrument for analysis was comprised of the following determinants:

• conduct on behalf of the firm;
• conduct against the firm;
• laws cited;
• government agencies/commissions;
• compliance/enforcement provisions;
• penalties for illegal behavior;
• general information; and
• equal employment opportunity.

In the early stages of the reading of the content analyses of the public sector codes the researchers found that the current models of determinants in research literature (i.e. Cressey and Moore, 1983; Mathews, 1987; Lefebvre and Singh, 1992; Wood, 2000) were inappropriate to the codes of ethics in Sweden’s public sector organizations. Many of the
determinants did not fit the well-developed codes of ethics proffered by some of the public sector organizations. Such items as “insider trading”, “antitrust laws”, “relations with investors”, “relations with competitors”, “securities laws”, “bribes or payments to government officials”, and “false advertising” were inappropriate for an analysis of these public sector codes. Not only were many of the items inappropriate but the ethos of the codes provided did not match the ethos of the codes within the private sector. The public sector codes were less directive, less regulatory and less authoritarian in tone than those in the private sector (Wood, 2000). The public sector codes seemed to be more focused on what “ought to be done” rather than on what “should definitely be done” as expressed in private sector codes. The content of these public sector codes cajoled staff into the behavior required, rather than emphasized, in an overt manner, a requirement for strict compliance, as is usually the case in private sector codes (Mathews, 1987; Lefevbre and Singh, 1992; Wood, 2000). Hence, the instrument by Wood (2000) was rendered as unsuitable to be used to analyze the content of the public sector codes that were being examined. This situation created a dilemma for the researchers.

The researchers then decided to conduct an in-depth content analyses with the best practice codes of ethics available to them in public Sweden, in order to develop a customized model of determinants. In a series of telephone interviews to the sample of the Swedish public sector, several executives in the studied organizations mentioned spontaneously that they had used the code of ethics from the county council of Stockholm as a benchmark for their own process of developing the code of ethics. When the codes that were submitted were read the code of ethics from the county council of Stockholm also was judged by the researchers to be a best practice case, and subsequently it was used as a blueprint for the new instrument. This judgement was made first on the basis of the tone of the code which was one that encouraged a participatory approach from staff, and second on the comprehensive nature of the code document. The document did not bear the hallmarks of a private sector code. It was more a set of “ought” statements rather than a set of directive “thou must” statements. It was an educative document rather than a document by which to monitor and police employee behavior. The content analyses of the other codes of ethics collected from the other public sector organizations, that in many cases were similar in tone to the county council of Stockholm code, led to our confirmatory belief in our development of a model of determinants for the public sector.

**Determinants in public code of ethics in Sweden**

The content analyses of the codes of ethics of public sector organizations in Sweden generated seven determinants. The variety of information provided in the codes of ethics is rather extensive. The issues that are discussed range from placing the organization’s interest in ethics in an “historical context for the organization” to examining concepts such as “loyalty”, “integrity”, “honesty”, “making decisions”, “engaging with co-workers”, “treating co-workers as ourselves” and the need and provision of “flexible work arrangements”. These codes comprise many different topics that focus on the public good in Swedish society:

- **Philosophy** – refers to the values and fundamentals that should permeate the organization’s operations. It also has a focus on the wisdom, the reasoning, the
beliefs, the ideology and the attitude that the organization should present to the society.

- **Labor environment** – refers to the work situation in the operations of the organization. It could also be an emphasis on the atmosphere, the surroundings, the milieu, the working conditions, and the circumstances within the organization.
- **Leadership responsibility** – refers to management’s obligations, duty, care, and tasks required towards the employees of the organization.
- **Employee responsibility** – refers to the employees’ obligations, duty, care, and tasks in the organization.
- **Equality** – refers to justice and fairness of the organization’s decision making or behavior. It could also deal with the balance, impartiality, egalitarianism, and sameness among individuals in the organization.
- **Involvement with publics** – refers to the organization’s interaction with and commitment to various publics in society. It has to do with the participation, the concern, the commitment, and the common interest with the community, the population, and the people.
- **Other issues** – refers to a mixture of diverse factors that should shape the operations of the organization.

**Internal and external determinants in public codes of ethics**

The analysis of the public sector codes of ethics indicated that their content is determined by a number of principal determinants. On an overall level, two sets of determinants may be distinguished, namely internal and external ones (see Figure 1).

The internal determinants of the content of the public sector codes of ethics are philosophy, labor environment, leadership responsibility, employee responsibility and equality, while the external determinants are involvement with publics. The last area (i.e. other issues) goes across both internal and external determinants, such as guidelines, policies and rules to follow.

**The 4P-model of determinants in public codes of ethics**

A further content analysis of codes of ethics in public Sweden revealed a few aggregated determinants, which may be labeled as the 4P-model of determinants in public sector codes of ethics. The principal determinants and the 4P’s correspond to major sectors in the society (see Figure 2).

The seven identified determinants, as listed in Figure 1, relate to four principal sectors of a society, namely:

- **Public community sector** – refers to the focus of a public organization’s internal operations on a strategic, tactical and operational level;
- **Private corporate sector** – refers to an external public that consists of the companies in the business sector of the society;
- **Private citizen sector** – refers to an external public that consists of the individuals in the society; and
• political/policy conduct sector – refers to the civic behavior within the public organization or in the society. This means that this determinant is both internal and external.

Most of the determinants of public codes of ethics belong to internal determinants and the P of public community sector comprises:

• philosophy;
• labor environment;
• leadership responsibility (including politicians);
• employee responsibility; and
• equality.

This area sets the framework for the ways in which one is expected to deal when one works with colleagues within the organization. It is a set of principles by which one should try to maximize one’s involvement. It provides guidelines for one’s responsibilities as an employee and/or as a manager and/or as a leader. The focus is on developing all staff equally in order to achieve their maximum potential with a regard to the fact that people have different needs and wants from their work lives.

The involvement of publics comprises the private corporate and citizen sectors. In these areas the focus is upon such items as “citizens as a focus”, “supplier relations”, “treat outside publics as ourselves”, “freedom of information”, “protect the natural environment”, “interaction with all publics” and “sponsorship”. The aim is to delineate for staff the expected types of behaviors when interacting with those individuals outside of the organization.

The political/policy conduct sector comprises “other issues”. On an overall level, the political conduct sector in Sweden consists of three levels of politicians: government, county councils, and municipals. These instrumentalities set the legislative framework that governs the ways in which the public sector organizations in Sweden enact their role within the community. They outline the responsibilities of the organization and define the limits of its powers as dictated by the legislation that they put in place. The policy confirming how the organization is to implement this legislation is outlined to the staff by the top leadership of the public sector organization. The top leadership sets the ethical tone of the organization and it must display an overt commitment to maintaining and supporting this ethos (Wood, 2002), for not to do so is an abrogation of their responsibility and counterproductive to an ethical working environment. As servants of the people, all public sector employees must be above reproach in their dealings on behalf of the state for they are not only accountable to their political overlords, but to the entire society.

Managerial implications in the public sector

The fact that the code of ethics artifact should be an important fundamental in a public sector unit’s operations means that the quality of ethics commitment is crucial to the acceptability of the same by the society. In this section, some managerial implications for the public sector are pinpointed in relation to the determinants of public codes of ethics.
For example, there are various factors that influence the codes of ethics in public sector units. In the first place, the quality of the public code of ethics depends upon the gap between internal and external ethical expectations. In the second place, the content of public code of ethics is influenced by five factors, namely politicians, leadership, employees, citizens, and unit operations.

The public code ethics quality dependent upon the gap between internal and external expectations (see Figure 3). It is satisfactory if there is no gap or a match between the internal and external ethical expectations. No gap between the internal and external ethical expectations of the code of ethics quality does not represent an ideal situation, since there is just a match on this issue. Preferably, there should be a positive gap indicating that the internal ethical expectations exceed the external ethical expectations of the quality of the code of ethics. Therefore, the code of ethics quality is dependent upon the code of ethics content.

The code of ethics is also influenced by five principal factors in society (see Figure 4). Politicians and citizens are external determinants, while leadership and employees are internal. Unit operations are the interface between external and internal ethical expectations.

On the one hand, the three categories of public sector politicians (i.e. entities of government, county councils, and municipalities) influence the guidelines of external ethical expectations on the public sector unit’s operations. On the other hand, the citizens in the society influence also the external ethical expectations as consumers of the services offered by the public sector unit. Accordingly, the public sector unit’s operations are adapted to the ethical requirements of the political system and the reigning values among the citizens in the society. The leadership influences and adapts the ethical guidelines from the politicians to the public sector unit’s organization. The employees have to perform the operations according to these external and internal ethical expectations created by the politicians and the leadership.

The importance of the relationship between the internal and external ethical expectations of a public sector unit’s operations may be described through the break-even model (see Figure 5).

On the one side, if there are high internal ethical expectations and low external ethical expectations, then the acceptability of the public sector unit’s operations is high (i.e. a positive divergent acceptability). On the other side, if there are low internal ethical expectations and high external ethical expectations, then the acceptability of the public sector unit’s operations is low (i.e. a negative divergent acceptability). The former is preferable, while the latter should be avoided, as otherwise, the public sector unit may suffer from unacceptability in the society. Finally, if there is a balance between the internal and external ethical expectations, then by definition there is a convergent acceptability of the public sector unit’s operations. This is satisfactory, but should be enhanced to reduce the exposure of future negative divergent acceptability in the society.
The acceptability of a public sector unit’s operations is usually explored in terms of internal ethical expectations (as in this research), but the simultaneous consideration of the external ethical expectations in the society (e.g. among politicians and citizens) is desirable. It is therefore important to extend the meaning of the acceptability of the public sector unit’s operations to consider both internal and external ethical expectations caused by the gap (or divergence) of a public sector unit’s operations in the society. The acceptability of negative divergence may reduce the impact and success of a public sector unit’s operations in the society, while the acceptability of positive divergence and the acceptability of convergence may influence and enhance the ultimate success in the society. This motivates the introduction of the three constructs of the acceptability of the operations of the public sector unit.

Conclusion

Initially, this research intended to use the existing private sector determinants of content analysis developed by Cressey and Moore (1983) and modified over time by other researchers (Mathews, 1987; Lefebvre and Singh, 1992; Wood, 2000) to examine the codes of ethics in public Sweden. As stated previously, they were inappropriate measures and it was necessary to develop a customized model of determinants to perform the desired research. The model of determinants introduced is completely different from the previously developed model of determinants in literature. The introduced model of determinants should be regarded as a generic framework to facilitate the examination and description of codes of ethics in public sector Sweden, and one would contend may be transferable to an analysis of other public sectors elsewhere in the industrialized world. Based upon the empirical findings of this research some managerial implications for the public sector have been discussed, such as public code of ethics quality, influential factors of public codes of ethics and a break-even model of acceptability of public sector unit’s operations.

Suggestions for further research

This research was limited to the largest entities of government, county councils, and municipalities in public Sweden. Sweden is a rather unique society in that the public sector is large and still dominates in many areas of the country’s society. The public sector is going through major changes in Sweden and around the world, and to varying degrees is becoming privatized. Therefore, a suggestion for further research is to compare the best practice of the private and the public sectors in Sweden or elsewhere in terms of the codes of ethics documents. The comparison of best practices could push our understanding beyond current boundaries and imaginations. Furthermore, a comparison of the commitment to ethics in the private and the public sectors could also be a contribution that generates new insights in the field.

This research was limited to internal ethical expectations of organizations, which in itself lacks an investigation of external ethical considerations. The commitment to organizational ethics is usually explored in terms of internal ethical expectations, but the simultaneous consideration of the external ethical expectations in the society (e.g. among citizens, politicians, suppliers and customers or other publics) is desirable. Therefore, a dyadic approach considering the organization’s internal ethical expectations and the external
ethical expectations of the organization’s operations in the society is another suggestion for further research. In addition, a suggestion for further research is to simultaneously consider the organization’s internal expectations of the leadership and the expectations of these same leaders by their employees. The former research proposal would have an external approach, while the latter would have an internal approach, to the commitment of code of ethics in an organization’s operations in the society.

**Figure 1** Internal and external determinates of public code of ethics

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<tr>
<th>Internal Determinants</th>
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<td>✓ Labor Environment</td>
<td>✓ Other Issues</td>
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<td>✓ Leadership Responsibility</td>
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<td>✓ Other Issues</td>
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**Figure 2** The 4P-model of determinants of public codes of ethics

**Figure 3** Public code of ethics quality
References


