
Available from Deakin Research Online:

http://hdl.handle.net/10536/DRO/DU:30009629

Reproduced with the specific permission of the copyright owner.

Copyright: 2004, The Authors
Business ethics is a subject that recently has been thrust again into prominence in industrialised economies around the world, due to the revelations of the practices of some of the major corporations operating within the USA. In Australia, corporate collapses such as HIH and OneTel and in Sweden, the scandals with the top executives of Skandia and also Systembolaget have brought in to sharp focus that these practices are not confined to the USA.

Since the early 1960s, codes of ethics have been in evidence in many organisations in the USA, whilst in Australia, as in Britain, the interest in codes of ethics was piqued by the stock market crash of 1987. In Sweden, however, this concept of the use of codes of ethics in the corporate sector had not been investigated prior to this study. This paper examines the use of codes of ethics in the marketplace by the top companies operating in corporate Australia and corporate Sweden. The outcome of this research shows that in both Australia and Sweden that large organisations indicate a substantial interest in codes of ethics and value the use of their codes in the marketplace. There are, however, differences in the ways that the companies in each country implement their codes of ethics in the marketplace and the benefits that they see as being derived from them.

Keywords: Ethics Codes, Cross Cultural
but it appears that there has been nothing specifically done on codes of ethics in the largest organisations in Sweden.

Due to the recent revelations of the practices of some of the major corporations operating within the USA, business ethics is a subject that once again has been thrust into prominence in industrialised economies around the world. The demise of large, high profile corporations and the subsequent revelations of impropriety are not new. Enron, Arthur Andersen, WorldCom and in Australia, HIH, Onetel, and in Sweden, Skandia and Systembolaget are corporations attracting notoriety for their behaviour. These corporations are just actors in the latest business drama that features opportunity turned to greed and then, ultimately, turned to tragedy. The actions of these corporations have led other companies to examine their own ethical standards and artefacts, in an effort to ensure that they too do not fall in to similar disrepute.

A wide range of writers proposes that a code of ethics should exist as a means of enhancing the ethical environment of an organisation (Adams, Taschian and Stone, 2001; Alam, 1999; Batten, Hettihiwewa and Mellor, 1999; Chonko, Wotruba and Loe, 2003; Fraedrich, 1992; Gellerman, 1989; Harrington, 1991; Laczniai and Murphy, 1991; McDonald and Zepp, 1989; Sims, 1991; Somers, 2001; Stoner, 1989; Weaver, Trevino and Cochran, 1999; Wood, 2002; Wood, 2002; Wotruba, Chonko and Loe, 2001). It has been suggested that companies implement codes because they value them and ‘ascribe organisational importance’ to them (Adams et al., 2001; Somers, 2001). If organisations see their codes as being of importance to them, then surely one could assume that they would wish to share them with the marketplace (Benson, 1989; Fraedrich, 1992; Stead, Worrell and Stead, 1990). This paper investigates this phenomenon in both Sweden and Australia and seeks to compare the results from two economies that are separated by immense geographic distance, but are not so dissimilar in terms of economic and demographic indicators.

**Economic and Demographic Indicators: Australia and Sweden**

An examination of economic and demographic indicators was made between Australia and Sweden. A number of the indicators are similar. As an example, both countries have service sectors that are within a percentage point of each other, in the low 70% range. It could be suggested that the similarities are brought about by a number of factors. Both economies are well developed (OECD members). Each country is a smaller player in its regional marketplace. In Sweden’s case, it is the European Union and in Australia’s case, the Asia Pacific region. Each country has had to expand its horizons outside of its home markets in order to expand economically. This necessity has forced a mind set in both countries that has seen both economies move away from a manufacturing base to one of services, where the intellectual capital of each country’s citizens can be transported more readily. Whilst the researchers are not saying that the cultures mirror each other, one could only but be interested in the similarities and hence, these similarities make an interesting platform for this research.

**Methodology and Response to the Questionnaire**
This research is one part of an international study across North America, Northern Europe and Australia. The initial research was conducted in Australia in 1995 and 1996. It has been replicated in Australia in 2001 and was conducted for the first time in Sweden in 2002. To this point in time, 1600 of the largest corporations operating in the private sector across three countries have been surveyed.

A questionnaire that was non-sponsored and unsolicited was sent through the mail to the top 500 companies operating in the private sector within Australia (Shoebridge, 2000) and the top 100 companies operating within the private sector in Sweden (SCB, 2002). Companies were asked to fill out the questionnaire and to send it back in the prepaid envelope provided. They were also asked to enclose a copy of their code of ethics. The reason for the difference in the size of the sample is based on the structural differences in the marketplaces of each economy. In Sweden, the government and its agencies control many of the largest corporations that in Australia would be in private ownership and thus the top 100 private sector companies in Sweden were deemed to be a satisfactory and representative sample of Swedish business. The basis of selection was the size in $ Australian of company turnover. The twenty nine questions asked covered the following areas: how common are codes of ethics? who was involved in the development of these codes and why? how are they implemented? do companies inform internal and external publics of the codes? what are the reasons for the codes? what are the prescribed benefits of codes? Each respondent was assured of anonymity as the results were to be aggregated. This paper reports the responses for external publics and prescribed benefits.

All questions asked provided nominal data thus limiting statistical analysis to the reporting contained within this paper. A response rate of 35% was achieved in Australia and 74% in Sweden. This paper examines the responses of companies that did possess a code and that also filled in a questionnaire: Australia (n=81) and Sweden (n=40). The difference in response rate may appear to be of interest. In the first part of this study that was carried out in Australia in the mid 1990s, a response rate of 68% was achieved. In 2002, as stated earlier, this study was the first study of its type in Sweden and hence the response rate of 74% was comparable with the first study in Australia. The reduction in the response rate in the replication study in Australia may be indicative of the fact that the survey was sent prior to the latest round of revelations about corporate malpractice. General interest in the business community in Australia may well have been down at that time, whereas this topic was an emerging interest in corporate Sweden, just as it had been in the mid 1990s in Australia when the first study was conducted.

Informing Customers and Suppliers

A number of writers (Benson, 1989; Fraedrich, 1992; Murphy, 1988; Stead et al, 1990; Townley, 1992; Wood, 2002) have suggested that codes should be public documents that have an external as well as an internal focus and that organisations should be cognisant of the relationship of the organisation with all stakeholders. Organisations were asked if their customers and suppliers were informed of the existence of the company’s code. Nearly two-thirds (62.5%) of the companies in Sweden reported that their customers were aware of the existence of their codes. In Australia, the ‘Yes’ response to this question was only 42.0%. In respect to informing customers of the code, in Sweden, informal advice (60.0%) was by far the highest individual category reported, whereas in Australia there was a tendency towards formal advice (52.9%). The large
reliance on informal methods in both countries raises the issue of an ad hoc approach to this issue. By using such an approach, companies cannot be sure that the ethics policy of the company is being communicated to customers. If the communication of the code is informal, then the depth of understanding by the customers may at best be superficial and over time, at worst non-existent.

Over two-thirds of companies in Sweden (67.4%) report that their suppliers are aware of the existence of their codes. Again, in comparison to Australia, this is a high figure and a commendable one. In Australia, just less than 40% of companies believe that their suppliers know of the existence of their codes. Companies in Sweden communicate their codes much more formally to suppliers than they do to their customers (63.0%:36.0%), whereas in Australia the figures are similar (54.8%:52.9%). How then do customers and suppliers know that such a document exists? In a time when society and individual consumers are searching for better corporate practices by companies, to not inform all parties about the existence of a code seems to be a lost opportunity and may even be a marketing mistake.

**Resolving Ethical Problems in the Marketplace**

The researchers asked companies if they perceived a link between their code of ethics and the resolution of ethical problems that arose in the marketplace. Just over 50% of companies in Sweden and just over 40% of companies in Australia claim to use their code to resolve ethical problems in the marketplace. If codes are not resolving ethical problems in the marketplace, then what are the codes used for in organisations? Are codes of ethics, then, the inward regulatory documents as suggested by Mathews (1987); Lefebvre and Singh (1992) and Wood (2000) or are companies just missing an opportunity to maximise their utilisation? Why does a company have a code if it does not assist one in resolving ethical problems in the marketplace? The responses to these questions do raise a conundrum.

The companies that reported using their code of ethics to assist them in the marketplace were then asked to highlight, from a list of ten every day business practices, those areas in which they had utilised the code when dealing in the marketplace. It is of interest that in Australia and Sweden, that the same areas of ‘suppliers’ and ‘customers’ are the most significant ones reported. The order is different between the two countries. The use of the code to deal with matters regarding the environment is strong in both cultures (equal third). This recognition of the environment appears to be an indicator of the effectiveness in the industrialised world of the environmental lobby on international business practices. The fact that companies do report that reference to their code has assisted them in resolving ethical concerns in the marketplace is a positive admission that for many companies, codes do have a practical applicability to their business environment.

**The Impact of Codes on the Bottom Line (i.e Profit)**

From the previous results, one can see that many companies in both countries appear to be using their code of ethics in their every day dealings in the marketplace. The researchers asked all companies about the way that their code of ethics impacted on profit.
In Sweden, 60% of the companies stated an effect on the bottom line of a code of ethics and in Australia there was the response that nearly 93% of companies reported an effect on the bottom line. Obviously in Australia, profit is seen as a major outcome of being ethical in the marketplace. It would appear that Australian companies see a more definite profitability effect than similar companies in Sweden.

This idea about profit and ethics in itself raises some interesting speculation that is probably no more than conjecture, but needs to be voiced. Are corporations being driven to be ethical by the mercenary consideration of profit generation? Or are corporations just acknowledging the obvious flow on effect that being ethical leads to enhancing profit, but they may not be viewing this realisation from a mercenary perspective, but just one of inevitability and reality? Is being ethical seen by organisations as a tool of competitive advantage? Is the adage ‘good ethics is good business’ finally being recognised as a truism by many organisations? If the latter is so, then what are the motives that companies are now using to pursue this goal? There is more research work to be done in this area. Such work is currently outside of the scope of this study.

The subsequent question asked in this section was open ended and a variety of responses was generated. The researchers then had to group the answers into similar areas of intent. The responses were classified into four types: altruistic, mercenary, regulatory and other. Altruistic ideals were those responses that highlighted the organisation benefiting the community, such as being a good corporate citizen. Responses were classified as mercenary if the focus appeared to be centred on improving the position of the company. Responses were classified as regulatory if they were in place to ensure that the employees of the organisation were controlled and prevented from doing damage to the organisation. The Swedish responses were heavily concentrated in the mercenary area, with ‘Long Term Interests Served’, ‘Assists Profit’ and ‘Customer Loyalty’ all showing a response rate of 33.3%. In Australia, the frequency of mention respectively was the mercenary area, the altruistic area and the regulatory area. ‘Assists Profit’ was the highest ranked item with 36.0%.

It would appear that companies in both cultures pursue ethical practices and behaviours for a wide range of reasons. Not all of these reasons seem to be based upon the highest, ethical, philosophical considerations however one must be cautionary in one’s conclusions. Just because a company has stated a benefit to being ethical that may be questionable, that does not necessarily mean that the organisation launched its ethics program based on that ideal. Over time, individuals within the organisation may have seen this benefit as a corollary to being ethical in the first place.

**Conclusion**

Many of the largest corporate organisations in both Sweden and Australia have shown a proprietary interest in using codes of ethics in the marketplace to assist them in their marketing related activities. Yet, it would appear that there are major differences in the ways that the companies in each culture implement their codes of ethics in the marketplace.
More companies in Sweden inform customers and suppliers of their code of ethics than companies do in Australia. However, in Australia companies formally inform customers and suppliers equally, whereas in Sweden companies tend to inform suppliers of their codes much more formally than they do their customers. The purpose of the focus on suppliers may be to create an ethical pressure on them. Recently, there have been some Swedish companies that have suffered from unethical behaviour among their suppliers causing ethical problems for them in the marketplace.

The two cultures differ markedly in their belief in the impact of their codes on the bottom line. In Australia, 93% of companies attribute a profit effect to having a code, whilst in Sweden this figure is 60%. Both cultures do tend to focus more on mercenary motives than altruistic and/or regulatory ones. In Sweden, this focus appears to be much more pronounced than in Australia. Whilst both cultures appear similar in most economic and demographic indicators, they do approach this area of the use of codes of ethics in the marketplace from different perspectives. The cultural mores of each marketplace do appear to impact on the companies from each culture in terms of their perceptions in this area and their use of codes of ethics in the marketplace.

References


