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CODES OF ETHICS IN SWEDEN'S LARGEST MARKETING CORPORATIONS: COMMUNICATING THE ETHOS OF THE CODE WITHIN THE ORGANISATION

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ABSTRACT

This paper presents the results of a study conducted in 2002 in the Swedish private sector. The aim of the study was to examine the commitment to business ethics of the top 100 companies operating in Sweden. Primary data was obtained via a self-administered mail questionnaire distributed to a census of the top 100 Swedish companies. This paper examines the means by which organisations attempt to communicate the ethos of their codes to employees. The study identified a range of methods used by organisations to integrate the ethos of codes into corporate culture. These methods were classified into nine key actions: (1) display and communication of the code, (2) company induction of new staff, (3) consequences for a breach of the code, (4) ethical performance as a criterion for employee appraisal, (5) the use of an ethics ombudsman, (6) formal guidelines for the support of whistleblowers, (7) a standing ethics committee, (8) ethics education, and (9) ethics education committee. Whilst many companies have instituted ethical behaviour initiatives, activities specifically targeted at exposure, education and support for staff to perform ethically were found to be underdeveloped.

INTRODUCTION

The development of a code of ethics can be viewed as one of the ways that an organisation displays its commitment to an ethical organisational culture (Adams Taschian and Stone 2001; Axline 1990; Fraedrich 1992; Laczniak and Murphy 1991; Somers 2001; Wotruba, Chonko and Loe 2001). Yet, a code by itself is not enough to ensure that the employees of organisations will actually manifest ethical behaviour. The benefit of having a code can only be derived if the code of ethics is brought to life by an organisation that genuinely wishes to pursue a better ethical culture (Davis 1988; Townley 1992). This ideal requires more than just a code. This ideal requires supporting procedures in place to ensure that the ethos of the code is entrenched in all that the company does.

The research interest inherent in this study was centred on the need to examine the commitment to the principles of their codes of ethics that Sweden's top 100 companies operating in the private sector appeared to have. This was done by examining the means by which organisations tried to integrate the ethos of their codes into the every day working lives of their employees.

METHODOLOGY AND RESPONSE RATES

In order to evaluate the use of codes of ethics a three-stage research procedure was used and conducted across 2002. First, a questionnaire was sent to the public relations managers of the top 100 Swedish companies (based on revenue) operating in the private sector (SCB, 2002): firms that, for several reasons such as size of turnover, employee numbers and business profile, are more probable to have developed a formal code of ethics (Brytting, 1997). Companies were asked to answer up to twenty-nine questions and to supply a copy of their code of ethics. The second stage involved content analysis of codes of ethics supplied by survey respondents. The third stage involved a more detailed follow-up of a smaller group of firms that appeared to be close to best practice. Findings for Stage 1 of the research are reported in this paper.

The response rate in Stage 1 was 74.0% with 72 companies returning the completed questionnaire. The respondents upon which this paper focuses comprise those 40 companies with a code of ethics.

DISPLAY AND COMMUNICATION OF THE CODE TO EMPLOYEES

For an organisation to obtain the full effect from implementing a code of ethics that organisation must communicate its value system and its document to the workplace (Benson 1989; Stead Worrell and Stead 1990; Townley 1992; Wotruba, Chonko and Loe 2001). The responses to this question revealed that web and electronic media (15.0%) was the most used way of displaying the code in the organisation for people to see and to view. The most interesting responses were those respondents that showed a complete misinterpretation of the question. The fact that the concept of display was not understood by 77.5% of
respondents may highlight that the displaying of the code is not a common practice. If a code is important, then why not display it for all to see?

The major means of communication to employees is through the use of electronic communication (55.0%) and a booklet (40.0%). The use of an intranet within companies in the last few years has increased dramatically and companies have become more reliant on technology in all of their business activities and the communication of codes of ethics is not any different.

COMPANY INDUCTION OF NEW STAFF IN RESPECT TO THE CODE

The major way of inducting new staff is to have some training and discussion (65.0%) and then to issue a copy of the booklet containing the code (30.0%). Swedish companies are to be commended for the use of training and discussion. Training and discussion is the preferred option to just distributing a booklet containing the code. The impact that the company wants the code to make upon the employee may be lost if the attention required is not given at the time of induction. The preferred method is training and discussion because it highlights to the staff at the time of induction the importance of the code to the company and their future dealing as employees of the company in the marketplace. How is the employee meant to know that the code is important, if it is not discussed or training given in its nuances at the time of induction?

CONSEQUENCES FOR A BREACH OF THE CODE

A number of authors (Fraedrich 1992; Sims 1991; and Stoner 1989) suggest that within a code of ethics one should outline enforcement provisions for those individuals who may not uphold the code. The organisation, by having procedures for a breach of the code, signals to employees the necessity to abide by the code for the sake of both themselves and the organisation. The overwhelming majority of companies in Sweden (77.5%), therefore, do have consequences for a breach of the code. The three areas attracting the most responses for an infringement of the code were a verbal warning (58.1%), a formal reprimand (35.5%) and cessation of employment (35.5%). One gets a verbal warning as the preferred company choice of disapproval at the employee's actions. The ultimate weapon against the employee is 'cessation of employment'. It would appear that this course of action is one that is not as acceptable in Swedish corporations as perhaps elsewhere in the world. If one examines the Swedish management style, it is not confrontationist. It would appear that Swedish managers prefer a discussion and verbal warning as the preferred style, rather than the more draconian and culturally challenging options that are available to them.

ETHICAL PERFORMANCE AS A CRITERION FOR EMPLOYEE APPRAISAL

The view that organisations should formalise the ethical performance of employees through the employee appraisal system is supported by Fraedrich (1992); Harrington (1991); and Laczniak and Murphy (1991). In Sweden, more companies do not assess an employee's ethical performance (57.5%) than those that do assess it.

However (37.5%) of the companies make employees accountable for their actions. In any review and assessment of employee performance, one needs to try to attempt to be as objective as possible. By the nature of the task itself, it would not be an easy assessment procedure to make judgments on individual ethical performance. Company standards and procedures need to be spelled out for individuals who are involved in the assessment process. The point of interest here is that superiors (53.3%) are the ones who make the assessment about an employee’s ethical performance. It is alarming to see that employee ethical performance is evaluated against formal company standards in only 13.3% of the companies. If there are no standards against which to compare in 87% of companies, then what mechanisms are in place in order to protect staff?

AN ETHICS OMBUDSMAN OR ITS EQUIVALENT

In a situation of recognising unethical practices and taking steps to expose them, the dilemma that many employees face, is in knowing to whom one can take an issue, so as to ensure its integrity; the integrity of the person against whom the complaint is made and usually, most importantly, for the person making the complaint, the guarantee of their own freedom from reprisals (Gellerman 1989; Labich 1992; and Stoner 1989).

In the United States of America many major corporations have appointed ethics officers. One of their specific roles is to encourage whistleblowing where a genuine worker concern exists. One could only but support the contention that organisations should have the provision within company policy for disclosures of acts that are inconsistent with accepted
company ethical practices and procedures. If an organisation has a person designated as a confidante to whom staff can go with ethical concerns, then, hopefully, employees will be encouraged to volunteer information about unethical practices that they perceive are detrimental to the organisation i.e. whistleblowing.

Only 32.5% of companies have an organisational ombudsman or its equivalent. The fact that at least 67.0% of companies do not have such a person is disturbing. To whom do staff members go with their concerns? The obvious answer is the person's supervisor, but research (Baumhart 1961; Brenner & Molander 1977) has shown, and commonsense dictates, that it is often the supervisor who is the centre of the ethical conflict that the staff member wishes to resolve. This lack of a designated person leaves both the staff and the organisation vulnerable.

**FORMAL GUIDELINES FOR THE SUPPORT OF WHISTLEBLOWERS**

If organisations are to evolve into ethical entities, individuals must take both individual and collective action to change the practices that they see that may be an antithesis to the ethical health of the organisation. Someone must make the move to expose violations of the organisation's ethical principles. Formal guidelines to support whistleblowers should be considered because if standards are to be set then one needs ways to ensure that either violations or breaches will be reported, reviewed and corrected. However, taking this required action is not easy, because of the downside to the individual of the actions that they take to reveal unethical or unlawful practices (Grace and Cohen 1998).

Only 27.5% of companies have in place guidelines to support whistleblowers. It is disturbing that 72.5% of companies do not have such guidelines. Employees should feel secure in the knowledge that they can report what they perceive as wrongdoing by their company or others within the company. To not have such safeguards in place for staff, leaves genuine individuals exposed and does not promote a confidence in them to report their concerns.

Of the companies that do have whistleblowing procedures, many of them have tried to put in place measures to support the individual. The use of a formal channel of complaint (63.6%) and formal investigation process (63.6%), and guaranteed confidentiality (54.5%) in companies is to be commended. The lack of a formal resolution process (27.3%) leaves the process as vague and does not maximise the protection that could be afforded to the employee who wishes to do the right thing.

**A STANDING ETHICS COMMITTEE OR ITS EQUIVALENT**

If organisations in the new millenium in Sweden are beginning to realise the need for ethical practices in their organisations, then an ethics committee should be an idea that organisations should contemplate and an area in which they should initiate action (Center for Business Ethics 1986; McDonald and Zepp 1989; Weber 1981). The concept of a standing ethics committee or its equivalent was acknowledged by 50.0% of the respondents. The interest here is that the other 50.0% of companies do not have a standing ethics committee or its equivalent. If business ethics is important, then surely companies should communicate this fact by having designated ethics committees that are seen by all. Not to have a committee, signals to the organisation and other stakeholders that the company does not see business ethics as an important enough area to warrant such attention.

**ETHICS EDUCATION**

A number of writers have advocated the use of training programmes as a means of institutionalising ethics within the organisation, (Axline 1990; Dean 1992; Lacznik and Murphy 1991; Maclagan 1992; McDonald and Zepp 1990; Harrington 1991; Sims 1992). Without education, one could contend, that the desire to incorporate an ethical perspective into the business practices of employees will only be a hope that cannot be translated into reality. In Sweden's top 100 companies, 55.0% of those who had codes conducted post-induction ethics training for the staff. Again upwards of 50.0% of companies do not conduct ethics education. We, as individuals, are all different and ethics education is needed in order to make employees aware of the ethical values of the company. Osmotic transfer of the company's ethical values does not just occur. Staff cannot be left to their own devices in this area. They should be given guidance, direction and understanding in order that they can subsume the ethos of the company's code of ethics into their own value system.
ETHICS EDUCATION COMMITTEE

Aligned with the need to have ethics education is also the need to have a designated ethics education committee or its equivalent set up to oversee such training and education. An ethics education committee would hopefully provide the focus and initiative to expose employees to discussion and education in business situations involving ethical dilemmas that they might face whilst in the company's employ.

The existence of an ethics education committee or its equivalent is acknowledged by only 17.5% of companies. The fact that only 7 out of 40 of the respondents have an ethics education committee is a major concern. This figure is extremely low if companies are serious about inculcating ethics into the work force. A designated committee set up for the specific purpose of ethics education and the discussion of relevant issues, the authors contend, flags to employees of the organisation the sincerity of the organisation to pursue ethical principles.

CONCLUSION

The companies surveyed in Sweden in 2002 do endeavour, in varying measure, to implement the ethos of their codes into their organisations. Companies make employees aware of the existence of codes of ethics yet, in general it would appear, however, that whilst the intent is there, the procedures to facilitate the practice of business ethics in organisations operating in the Swedish private sector are in some instances underdeveloped. Many companies have instituted ethical behaviour initiatives and have put in place ways to monitor the performance of staff in these areas yet, it would appear that they have missed the linking part of the process between implementation and examination. That missing link is: exposure, education and support to assist staff to perform ethically.

Organisations cannot expect employee adherence to the principles inherent within the codes, if they themselves seem remiss in enshrining some basic procedures to assist employees. Many organisations need to examine their current practices and consider ways that may improve the facilitation of their objectives in respect to business ethics. Not to do so devalues the positive impacts that such a program may have for the organisation, its staff and other stakeholders (Adams Tashchian and Stone 2001, Wotruba, Chonko and Loe 2001). Companies will not be judged solely on the existence of the artefacts of business ethics that they appear to have in place, but on the effectiveness in the marketplace of their programs on the behaviour of all of their staff, from the Chief Executive Officer down.

REFERENCES


