ABSTRACT

The objective of this research is to describe the evolution of the content of codes of ethics in corporate Sweden over the period from 2002 to 2005. Given the scandals in Sweden, reported by Wallace (2004), one would expect to see a rise in regulatory practices from 2002-2005.

INTRODUCTION

Corporate codes of ethics are one of several influences on corporate and business ethics within and across contexts. 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).

Since the early 1960s in the USA, there have been codes of ethics in many companies (Baumhart, 1961; Benson, 1989; De George, 1987). In Sweden, however, this concept of the use of codes of ethics has not been investigated prior to this study. In Sweden, business ethics itself has only been on the agenda since the early days of the new millennium and even then the interest in business ethics was as a response to the happenings elsewhere in the world rather than perceived deficiencies at home (Svensson, Wood and Callaghan, 2004). In the last two years however, Sweden has experienced its own corporate scandals which have shaken its corporate foundations (Wallace 2004). One study has been published in the wider area of business ethics (Brytting, 1997), but review of the Swedish literature indicates that there has been no specific study of the use of codes of ethics in the Swedish marketplace prior to this one. The objective of this research is to describe the evolution of the content of codes of ethics in corporate Sweden over the period from 2002 to 2005.

FRAME OF REFERENCE – CORPORATE CODES OF ETHICS

One of the first indicators that a company is beginning to focus on ethical behaviour is to establish a code of ethics. It is the artifact that announces to all, an interest in business ethics by a corporation. To this effect, numerous writers have proposed the notion that a code of ethics should exist as a means of enhancing the ethical environment of an organization (Adams, Tashchian, and Shore, 2001; Fraedrich, 1992; Harrington, 1991; Laczniak and Murphy, 1991; Sims, 1991; Somers, 2001; Stoner, 1989). Companies implement codes because they value them and perceive that they are important to the organization (Adams et al., 2001; Somers, 2001; Wotruba, Chonko and Loe, 2001).

Despite the mixed findings of research studies on the effectiveness of corporate codes of ethics in influencing behavior, studies have found that having a code of ethics does have a positive impact on the ethical behaviour of the employees of the organization (Adams et al., 2001; Somers, 2001; Schwartz, 2001; Stols and Brannick, 1999; Ferrell and Skinner, 1988; McCabe, Trevino and Butterfield, 1996; Pierce and Henry, 1996; Wotruba Chonko and Loe, 2001). Other studies have found this causal relationship not to be conclusively the case (Ford, Gray and Landrum, 1982; Clark and Leonard, 1998; Mathews, 1998; McKendall, Demarr and Jones-Ridders, 2002). These findings are in many ways contradictory yet one could suggest that codes may be potentially valuable in corporate decision-making and also as a signal to stakeholders of organizational values.

METHODOLOGY

In order to evaluate the use of codes of ethics by private sector companies operating in Sweden, a three-stage research procedure was used. First, a questionnaire was sent to the public relations managers of the top 100 companies operating in the Swedish corporate sector (based on revenue) (SCB, 2002, 2005) in 2002 and in the top 500 companies in 2005: 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 the 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. The findings for Stage 2 of the research are reported in this paper. The response rate in Stage 1 in 2002 was 74% and in 2005 the response rate was 42%. Of the 74 (out of 100) companies that responded to the survey in 2002, 72 companies returned a completed questionnaire, whilst in 2005, 185 (out of 444) returned a completed questionnaire. The population consisted of 444 companies rather than 500. This drop in numbers was as a result of multiple listings of the one company and the merger of some companies with others that were on the list. The respondents upon which this paper focuses comprise those 39 companies in 2002 and those 90 companies in 2005 that sent in their code of ethics.

CONTENT ANALYSIS METHODOLOGY

The contents of the corporate codes of ethics were analyzed according to a scheme derived from Cressey and Moore (1983), Mathews (1998), Lefebvre and Singh (1992), Wood (2000) and Singh et al. (2005). 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, p.288) argues 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. The content analysis technique used in the current study is that based upon Wood’s approach.

CONTENT ANALYSIS RESULTS AND DISCUSSION

The contents of the 39 Swedish corporate codes of ethics from 2002 and the 90 codes from 2005 were manually analyzed by one person and randomly checked for accuracy by another. The results will be reported in the text in the following format: (2002:2005).

Conduct on Behalf of a Firm

This category focuses on the behavior of employees when representing their organizations. It consists of fourteen items ranging from interaction with governments to the giving and receiving of bribes. There have been noticeable increases in a number of items within this section of the table: Relations with employees (56%:72%); Relations with competitors (8%:19%); Civic and Community Affairs (28%:38%); Relations with consumers (21%:31%); Environmental affairs (54%:71%); Product safety (18%:36%); Product quality (36%:52%); Giving of bribes and kickbacks (26%:39%). Eight of the fourteen items have increased by 10 percent or more. These increases tend to lead one to suggest that Swedish companies have articulated this conduct at a greater rate in 2005 than 2002. This area is obviously of more interest to Swedish companies in 2005 than it was in 2002.

Conduct Against the Firm

The category, ‘Conduct Against the Firm’ is concerned with employee conduct that could directly harm the firm. This area was measured by nine items. Five items in this category have shown at least a 10 percent increase in 2005 over 2002: Conflict of interest (18%:33%); Divulging trade secrets (21%:32%); Other conduct against the firm (13%:28%); Integrity of books and records (23%:38%); Legal responsibility (33%:52%). Of the 3 items that showed a reduction in reporting both Ethical responsibility and Insider trading information recorded a 2 percent decrease whilst Personal character matters showed an eight percent decrease. The increase in the item Legal responsibility is significant at α = 0.05. In these first 2 sections, 13 of the 23 items have shown a ten percent or more increase of being reported. This increase would tend to suggest that Swedish companies in 2005 may have been looking at their codes in a different way as compared to 2002. One wonders whether Swedish companies are becoming more prescriptive in their codes in order to communicate to their employees their desires to be ethical for the companies’ sake or as Wood (2000, p.291) suggested in respect to Australian codes that such intent in this area may be ethically motivated more by the mercenary values of self-preservation of the organization than of the stakeholders. Are Swedish codes becoming more regulatory than in 2002?

Laws and Agencies Cited
This category examined reference to specific laws and government agencies cited in the corporate codes. The frequencies of the items in this section of Table 1 are interesting. If Swedish codes are becoming more regulatory as suggested by the findings of the previous two categories, then one may have expected to find a corresponding rise in the mention of laws that need to be obeyed by the organization. This phenomenon was not in evidence. Of the nine categories reported in this section, six showed reduced mentions. The only increase was a marginal one in the item of Competition/antitrust laws (18%:23%). The concern in this area was in the reduction of mention of the laws regarding worker health and safety (28%:7%). The reduction seems confounding given a p value of .000896 (significant at α = 0.01). The reason for this dramatic shift is not readily in evidence to the authors.

**Government agencies/Commissions Referred to**

Of all the categories assessed in this study, 'Government agencies/Commissions' received the least mention. This finding is consistent with Lefebvre and Singh's (1992), Wood's (2000) and Singh et al. (2005) research on codes. This area appears to be one that is not mentioned to any great extent. The overall low level of mention of this category in these studies may be due to the pragmatic reality that there is limited contact between most employees and those agencies and commissions.

**Compliance**

This section of the paper looks at two categories of items in the content analysis: 'Enforcement/Compliance Procedures' and 'Penalties for Breaching Code'. Simply stating what is acceptable and/or what is not acceptable employee behavior without specifying methods for compliance/enforcement may not be enough. It is suggested by Berenbeim (1999) that specifying compliance/enforcement procedures and penalties for breaching the provisions of a code are critical to code effectiveness.

The internal-oversight section of the ‘Enforcement Compliance’ section comprises items 35-41 and includes individuals, groups and measures aimed at monitoring the behavior or employees. Of the seven items in this section four are mentioned for the first time in the 2005 codes, but the frequency of mention is minimal. The one item that does pique one’s attention is that of Supervisor surveillance where the figures have changed significantly (23%:10%; p =0.0490, α = 0.05). This finding is of real interest because if supervisors are not being used as much in 2005 for employee oversight as they were in 2002, then to whom has this role been delegated or has it been removed from the procedures of many companies?

The second of the three segments in the category ‘Enforcement /Compliance Procedures’ is ‘Internal-Personal Integrity’ (Items 42-48). This section examines to whom one should go in order to ask questions in respect to company policy and the reporting of misconduct by oneself or others (i.e. whistle blowing). The supervisor has been nominated more in 2005 than in 2002 (18%:28%). Others in the firm have risen in frequency from 2002 to 2005 (5%:16%) suggesting that a number of companies are taking more of a formal interest in this area. A number of companies in 2005 may have in place more controls and more people to whom one can report concerns than was the case in 2002. External compliance / enforcement procedures (independent auditors, law enforcement, other external: items 49-51) were not frequently mentioned in the codes. The lack of mention of independent auditors in the codes is of interest: it may be a strong indication of the firms’ desires for direct control over their compliance procedures.

The second aspect of compliance is ‘Penalties for Breaching Code’. Dismissal/firing has dropped in mention from 2002 to 2005 (18%:9%). Other internal penalty has grown from zero mention in 2002 to 19% in 2005. Companies may have been less prescriptive in 2005 in respect to dismissal and firing, but companies may have couched the same situation in less direct and more ambiguous language, even though in reality the outcome for miscreant behaviour may be the same as it was in 2002.

**General Information**

The ‘General Information’ category consisted of Items 60 and 61. Item 60 examined statements in the codes expressing the need to maintain the corporation’s good reputation; Item 61 identified whether or not the code included introductory remarks from a senior executive (President, CEO, Chair of the Board). The need to maintain the corporation’s good reputation was mentioned in 26% of 2002 codes and only 21% of 2005 codes. It is of interest that
Swedish companies do not see the need to state the importance of maintaining the corporation’s good reputation. An introductory letter or remark from the President, CEO, or Chair of the Board also was reported less in 2005 than 2002 (31%:26%). Such a statement indicates that the code has received the attention of top management and it is to be taken seriously by all in the corporation. Why nearly seventy five percent of the companies in 2005 do not include such a statement is interesting – perhaps this is a cultural phenomenon in that Swedish companies expect all employees to maintain a good corporate reputation and therefore such a statement (in the code) is considered (culturally) redundant.

CONCLUSION

This study is the first longitudinal study done in Sweden in the area of business ethics. This paper is focused on the evolution of the content of codes of ethics from 2002 to 2005. The findings are of interest and in some senses confounding because they show mixed results. In the areas of ‘Conduct on behalf of the firm’ and ‘Conduct against the firm’ one gets a distinct impression that there have been changes in the way that Swedish companies are addressing these issues in 2005 that are different from 2002. At first glance the figures seem to point towards a more regulatory focus, however, statistical testing via a ‘z-test’ for difference between proportions, does not confirm this idea at a significance level of $\alpha = 0.05$. This observation may well be due to the difference in sample sizes between the 2002 and 2005 measures. One could speculate that with the scandals in Sweden reported by Wallace (2004) that one would expect to see a rise in regulatory practices from 2002 to 2005. The content of the codes alone do not statistically show a movement to more regulation, but once they are read in conjunction with the other survey data on the way that companies inculcate their code of ethics into their organizations then one hopes that a clearer picture may emerge.

REFERENCES


