An anthology of codes of ethics

Gael M. Mcdonald, Deakin University, Melbourne, Australia

Abstract

Purpose – Corporate codes of conduct originated around 1900 in the USA gaining further momentum in the 1950s in relation to anti-trust legislation. Subsequently, the adoption of codes of ethics has spread throughout the world and they now feature extensively in many organisations. The literature relating to codes of ethics, therefore, spans many decades and is undoubtedly comprehensive. The purpose of the paper is to provide an appropriate anthology of codes of ethics.

Design/methodology/approach – A descriptive, historical, anthological approach has been taken.

Findings – This paper examines the motivations for the adoption of codes of ethics, which naturally also includes international codes, their frequency of use and content. Codes are also not without critique and it is appropriate to highlight the criticisms of codes, to provide an assessment of their potential effectiveness, the issues surrounding implementation and enforcement and the relationship to organisational culture and leadership.

Research limitations/implications – As noted, the literature on codes of conduct is extensive and while effort has been made to capture the key themes the review is not necessarily exhaustive.

Originality/value – The literature is characterised by the means of institutionalising ethics in organisations and the paper concludes with a summative reflection on the key dimensions that appear to be paramount for improving the efficacy of codes of conduct.

Introduction

The writing of an anthology in relation to codes of ethics is a somewhat daunting task given that the literature spans many decades and ranges, for example, from the seminal questioning of ethical behaviour by Baumhart (1961) to the more recent examination of the strategic approaches to corporate codes of ethics (Svensson and Wood, 2007; Wood and Rimmer, 2003). On a business ethics continuum with normative philosophical thought at one end, corporate codes of ethics undoubtedly reside at the opposing end where one would find the more prescriptive literature. This literature is characterised by guidelines for managers as a means of institutionalising ethics in organisations and pedagogical suggestions for ethical training. A significant component of the prescriptive literature is of a pragmatic nature providing more action-related suggestions for practising managers and is undoubtedly dominated by material relating to codes of ethics.

Codes of ethics have been described by Langlois and Schlegelmilch (1990) as a statement laying down corporate principles, ethics, rules of conduct, code of practice or company philosophy, concerning responsibilities to employees, shareholders, consumers, the environment and society. It should be noted that while discussion is centred on codes of ethics, the terminology could naturally be widened to include ethical guidelines, ethical policy, codes of conduct and governance directions. All of these terms have been utilised in the past to denote material relating to ethics within organisations intended to provide moral
guidance to employees and, more recently, wider stakeholders. It should also be noted that there is a distinction between corporate codes of ethics where the sphere of influence is that of the organisation, and professional codes that seek to regulate and guide members of a professional body. For clarity, the focus of this discussion is primarily on corporate codes of ethics.

In the USA, corporate codes of conduct originated around 1900 and began to gain traction in the 1950s with an undoubtedly legalistic approach frequently referencing anti-trust laws and how to obey those laws (Wiley, 1995). Given the wealth of material on corporate codes that has been written since that time, and for the purpose of this discussion, it is appropriate to utilise a structure which provides an informative division of key dimensions surrounding codes and which will enable insight into some of the significant contributions to date. This chapter, therefore, initially examines the motivations for the adoption of codes, the frequency of use and the likely content, including those for use in the international context. This is then followed by a reflection on the criticisms of codes as well as the indicators of their effectiveness as well as the more pragmatic dimensions associated with implementation, enforcement, the influence of corporate culture and leadership before concluding with a brief reflection on some of the key issues surrounding the development and dissemination of corporate codes in the future.

Motivations for the adoption of codes of ethics

The reasons for adopting codes of ethics have been found to vary significantly, with Cressey and Moore (1983) suggesting, somewhat cynically, that the main aim of codes was for the maintenance of profits, which suggests that the presence of codes builds reputation and trust with customers. Alternatively, risk management, that is, protecting organisations against criminal liability or damage as a result of employee misconduct, was identified by Stevens (1994). The risk dimension became even more apparent in the USA in the early 1990s with the *Sentencing Guidelines* that proposed the potential minimising of corporate liability if an organisation could demonstrate effective programmes to prevent and detect legal violations. The implicit moral motivations behind codes have been identified as primarily corporate self-defence (Snell *et al.*, 1996), and protection of the firm (Lefebvre and Singh, 1996). More recently, the reasons identified in the European context include; adherence to policy, procedures and objectives and instilling company values, culture and philosophy (Svensson *et al.*, 2006). Broadening the discussion further in a three-country study of businesses in South America, Mele *et al.* (2006) identified eight motives for implementing ethical statements, with the spreading of the company's values or philosophy being the most dominant. While Bondy *et al.* (2006), in their research on the articulated motivations for code adoption, went one step further and identified ten of the most commonly listed reasons. From this research and previous discussions, it therefore appears that the most common motivations for the adoption of codes of ethics can be appropriately truncated into seven reasons:

1. ensuring legal compliance and other statutory requirements;
2. providing a guide for behaviour and formalised expectations;
3. protecting and enhancing organisational reputation;
4. ensuring employee, management and supplier compliance and minimising risk;
5. ensuring consistency across global networks;
6. creating and maintaining trust and confidence with stakeholders; and
7. communicating principles and commitments to stakeholders.

Naturally, these reasons are not mutually exclusive and may be interacting with each other in both intrinsic (e.g. the communication of behavioural guidelines) and extrinsic ways (e.g.
articulating the expectations of industry bodies or head office directives, and responding to concerns resonating from corporate scandals). In a three-level model of motivations, the first level could represent simplistic motivations. It could be recognised, particularly given the ease with which some firms readily adopt the codes of ethics of others that the motivation for adoption at this level is merely because other firms are doing it. For some organisations codes of conduct have merely become a “must-have” in today's corporate environment, which suggests a low level of commitment. This commitment could however ramp up to a second level where companies are primarily motivated by the strategic need for risk reduction and managing their reputation. As a consequence, there is a concern for compliance and significant communication, both internally and externally, of the existence of the code functioning within the organisation. Firms operating at this second level are seeking to address the inconsistencies that they perceive may exist between what is happening and should be happening in order to protect the firm. The third level of motivation is more genuine and the reasons underpinning and driving the commitment to codes are seen to be largely as a result of a recognition of the organisation's ethical accountability to not only shareholders but also to a wider range of current and future stakeholders. Organisations operating at this level are characterised as having philosophies and norms of behaviour which they hold dear and wish to inculcate throughout their organisation. To achieve this, the organisation will have strategies that support not only the dissemination of the codes but also additional processes for building of an ethical climate.

The motives prompting companies to develop and disseminate codes of ethics vary considerably and are complex. The reasoning behind the evolving use of codes is probably underpinned by the level of an organisation's moral development, ranging from self-interest, peer pressure to a genuine commitment to developing an ethical climate. In all likelihood, the motivation to adopt a code of ethics will come from a combination of reasons, ranging from a genuine desire to clarify and inform behavioural expectations and policy, the need for consistency across a growing and possibly international operation, through to achieving the benefits from risk reduction, attraction of staff and a solid reputation.

**Frequency of use**

While recognising the variety of different terms used, for example, corporate ethics policies, codes of practice, corporate principles, rules of conduct, etc. studies have largely demonstrated the existence and/or increasing popularity of the adoption of codes of ethics. These studies have covered a wide range of geographical areas including: USA (Brenner and Molander, 1977; White and Montgomery, 1980; Centre for Business Ethics, 1986, 1992; Berenbeim, 1987, 1992; Hite *et al.*, 1988; Court, 1988; Schlegelmilch, 1989; Benson, 1989; Pitt and Groskaufmanis, 1990; Sweeney and Siers, 1990; Cochran and Weaver, 1995; Gross, 1995; Murphy, 1995; Reichert *et al.*, 2000); Japan (Nakamo, 1997); Australia (Kaye, 1992; Farrell and Cobbin, 1996; Wood, 2000; Wood *et al.*, 2004); Canada (Lefebvre and Singh, 1992; Berenbeim, 1995); Ireland (Stohs and Brannick, 1999; O'Dwyer and Madden, 2006); Spain (Guillen *et al.*, 2002); Sweden (Wood *et al.*, 2004 and Svensson *et al.*, 2006); Britain (Epstein, 1976, 1977; Schlegelmilch and Houston, 1988; Ryan, 1994); South Africa (Higgs-Kleyn and Kapelianis, 1999); Europe (Langlois and Schlegelmilch, 1990; Weaver, 1993; Winkler and Remisova, 2007); and South America (Arruda, 1997; Mele *et al.*, 2006). Many of these studies also undertook comparative analyses across more than one country location with multiple dimensions examined other than that of frequency of use.

To be expected, the percentage of firms adopting codes is wildly dependent on the samples studied, that is, whether they are small or large companies, independently owned, or multinationals so, naturally, caution should be exhibited in generalising from the findings.
However, the trend appears to be that an increasing number of companies, predominantly larger organisations, are adopting codes of ethics and with multi-nationals clearly seeing the benefit of standardised policies across their operations. A further hesitation when examining the increased adoption of codes is that few studies are longitudinal. However, there are notable exceptions (Wood et al., 2004; Singh, 2006; Callaghan et al., 2008). Wood et al. (2004) observed in the Australian context that codes of ethics had moved over time from a regulatory requirement and were now considered an integral component of corporate culture and commercial practice in many of Australia’s top companies. Singh (2006) undertook a longitudinal study of corporate codes of ethics in 1992 and 2003, finding an increase in the frequency of environmental issues and enforcement procedures. Callaghan et al. (2008) undertook a longitudinal study conducted at five-yearly intervals from 1995 to 2005 and observed that, in 1995, moderate usage (45.7 per cent) of codes was evident but dramatically increased with more substantial adoption in 2005 (89.4 per cent). Anecdotally it therefore appears that codes of ethics are increasing in frequency for many of the reasons previously mentioned.

Content

Concurrent with the increased usage of codes of conduct, has been an examination of their source and content. The borrowed versus tailored approach was mooted by Snell et al. (1996) who found, surprisingly, half the companies in his study had borrowed a model code of ethics and had adopted it without significant changes. More recently, Svensson and Wood (2007) also noted that corporate codes of ethics in Australia are often standardised and replicated, and that customised and individualised approaches are not penetrating the ethos of corporate codes of ethics.

From the initial off-the-peg approach, where companies significantly plagiarised their codes from other organisations, greater effort is being made to write codes for the needs of a specific organisation. For those organisations that have taken the more tailored approach and developed their own codes an historical review indicates some interesting transitions that have occurred in the design and themes covered in codes of ethics. Initially, the themes contained in codes of ethics were quite narrow and commonly related to: extortion, conflict of interest, illegal payments, and potential violations of law (Chattov, 1980), or more general ethical domains of honesty, equity, and rights (Gavin et al., 1990) with misuse of funds and improper accounting being the most frequent topics cited (Hite et al., 1988). Criticism of the inward focus of many codes to the detriment of the welfare of external stakeholders (Benson, 1989) saw a move to an initial concern for customers and then a widening of the sphere of responsibilities contained in codes, with the recognition of the influence of other stakeholders and the potential organisational impacts on society at large. Webley (1993) acknowledged these broadening areas of responsibility with the development of a comprehensive list of key areas to be contained in a code of ethics incorporating such issues as safety for employees and consumers, as well as the needs and rights of suppliers. More recently, as a result of an increase of consumer, shareholder and other stakeholders’ demands for minimum standards of social and environmental responsibility, there has been a suggestion that there should be a common environmental content in corporate codes of conduct and that this content must be rigorous enough to meet stakeholder needs but simple enough to be adopted (Fischer et al., 2005). This trend must be catching as noted by Singh (2006) who in the Canadian context recognised an increase in the frequency of the mention of environmental issues in codes.

Many of the studies examining codes have taken a content analysis approach and developed ethical categories of the issues often contained in codes of ethics (Bowman, 1981; Cressey...
and Moore, 1983; Hite et al., 1988; Weaver, 1993; O'Dwyer and Madden, 2006). Broadly, these categories are, issues impacting primarily on:

- employees;
- companies; and
- the wider society.

There have also been numerous attempts to classify formats and styles of codes. Lowe (1996) identified common formats which could be described as: Foreign/Legal: which emphasises legal compliance and contain criteria for invoking penalties where violation occurs. These codes are common in large multi-national organisations. The other format could be called follow the leader, an approach where companies use an existing framework borrowed from state or professional associations, and where the code largely conforms to this format. Farrell and Cobbin (1996) distinguished between codes that are value-based (broad principles that should guide action) and rule-based (detailed precepts that should be obeyed). While Bondy et al. (2006) identified four distinctive styles of codes:

1. Stipulative codes which used words such as “shall”, “will” and “required”. Stipulative codes also frequently included sanctions or threats for non-compliance.
2. Commitment-based codes that indicated a corporation's intention to engage in corporate social responsibility and to provide some indication of how this engagement will occur.
3. Principles-based codes which indicate a corporation's over-arching philosophy and the principles that underpin the organisation's approach to managing ethical behaviour.
4. Information-based codes, these codes are largely informative and are comprised of information on what has already been done by the corporation in relation to its corporate responsibilities.

Attempts to link codes of ethics in ethical theory do not appear to have gone far (Starr, 1983). In a review of Canadian codes, Lefebvre and Singh (1992) observed that the focus of the codes was on the protection of the firm and, while some referred to issues of social responsibility, they were primarily concerned with conduct against the firm. Noting that little attention has been given to the relationship of codes of ethics and ethical theory, Starr (1983) has advocated the use of rule utilitarianism as a conceptual underpinning for codes of ethics. L'Etang (1992) also advocated the use of ethical theory but was more inclined to the use of Kantian theory as an appropriate foundation for formulation of both ethical policy and ethical codes. Raiborn and Payne (1990) identified the four principles of integrity, justice, competence, and utility as being the fundamental ethical principles upon which to base all ethical decisions and, therefore, appropriate for inclusion in codes of conduct.

The common structure for North American codes appears to be a four-part format of general information, types of conduct to be addressed, enforcement and compliance procedures, and penalties for unethical behaviour (Lefebvre and Singh, 1996) and it should be noted from a cross-county comparison of USA, Australian and Canadian codes that the codes from these locations were not “dramatically distinct in construction and content” (Wood, 2000, p. 297).

The underlying qualitative characteristics of a code have been identified as; specificity, publicity, clarity, revisability, and enforceability (Wiley, 1995). Raiborn and Payne (1990) provided a similar list of characteristics, these being; clarity, comprehensiveness and enforceability, and reflective of the corporate culture from which the code stems. Brinkmann and Ims (2003) believe that ethical codes have three principal functions, to be educational,
regulatory and aspirational. It has also been suggested that every code of conduct has four elements:

1. **Notice**, that is, to provide to employees the employer's expectations.
2. **Discretion** in interpreting and applying the rule. This discretion is naturally diminished as more detail and specificity is provided.
3. **Risk**, the code is a reflection of the degree to which an employer is attempting to minimise risk.
4. **Tone**, positive and respectful (Redeker, 1990).

Getting down to the details of tone and the functional linguistics of corporate codes, Stevens (1996, p. 71) suggested that ethical codes are generally “framed from a defensive position designed to protect the organisation from the employee, and are not written for the most part using guiding or visionary language”. Codes of ethics have also been found to rarely contain operational definitions in order to direct employees on moral hazards and the required responses, and that the language used in corporate codes (in the Australian context) was of an authoritarian nature with the over-use of grammatical structures such as relational clauses, the passive, nominalisation, grammatical metaphors, and modality (Farrell and Farrell, 1998).

From their research, Snell and Herndon (2004) have identified that the content and tone of codes should be reader-friendly, address relevant ethical issues, encourage personal judgements and open discussion, apply to everyone, match an organisation's core values, and cover broad social responsibility issues.

Molander (1987) was one of the first writers to highlight the dilemma inherent in code design, this being the tension between specific practices and general precepts. While the trend is increasingly towards the development of principles-based codes, where the broad principle is articulated, for example, that of objectivity and independence, the need for specific recommendations is required when these principles become too broad, for example, integrity. When left to the individual employee to apply a principle to an actual circumstance, there is concern that the principle may not be articulated well enough to provide specific and practical guidance. In order to overcome this problem, Raiborn and Payne (1990, p. 885) made the distinction between four different standards of performance:

1. **basic** – minimal acceptable behaviour;
2. **currently attainable** – behaviour deemed basically moral;
3. practical, achievable but difficult; and
4. **theoretical** – highest potential for good.

**International codes of ethics**

The issues surrounding the need, content, implementation and consequences of international codes of ethics have been discussed in detail (Rowan and Campbell, 1983; Cottrill, 1996; Payne *et al.*, 1997; Desai and Rittenburg, 1997; Stajkovich and Luthans, 1997; Jackson, 1997, 1999; Robertson and Fadil, 1998; Smeltzer and Jennings, 1998; Rallapalli, 1999; Kolk *et al.*, 1999; Reynolds, 2000; Nijhof *et al.*, 2003; Kaptein, 2004; Painter-Morland, 2006) and as Jackson (1997) has quite rightly observed establishing a cosmopolitan ethical culture for a multi-national company requires “special effort above and beyond that needed for standard domestic initiatives” (Jackson, 1997, p. 17). However, as Painter-Morland (2006) have amusingly noted “sighs, yawns and, in some places, frowns often confront academics and consultants who have had to broach the issue of global codes of conduct in corporate boardrooms” (Painter-Morland, 2006, p. 352).
Clearly one of the inherent difficulties in the development of international codes of ethics is the attempt to reconcile ethical views across international borders. Robertson and Fadil (1998) provided one of the earlier frameworks for development of a culture-based code of ethics, in contrast, Smeltzer and Jennings (1998) have argued that cultural relativism is not always appropriate and that a code of conduct should be adapted with guidelines for core ethical business conduct across cultures. International or global codes therefore frequently struggle with the relativism versus absolutism dichotomy. In a quite nod to the difficulties of developing codes for an international environment, Schwartz (2005) when questioning how can one establish whether a corporate code of ethics is ethical in terms of its content, he endeavoured to establish that a first step might be the establishment of core universal moral values by which corporate codes of ethics can be constructed and evaluated. From his analysis, he identified six universal moral values for a corporate codes of ethics:

1. trustworthiness;
2. respect;
3. responsibility;
4. fairness;
5. caring; and
6. citizenship.

As mentioned earlier ethical theory has often not featured significantly in the development of codes of ethics on the domestic front and yet, in a effort to find universal guiding principles this appears not to be the case for the development of international codes. International codes have been more successful in drawing in ethical theory with Donaldson (1992) being one of the first to suggest different languages of ethics, these being:

- virtue and vice;
- self-protection through to self-control;
- maximisation of human welfare;
- avoidance of human harm;
- rights and duties as well as legal constraints; and
- social contracts.

In addition to standard ethical theories, Jackson (1999) has also promoted spirituality, in the broad sense, as a deeper foundation for principles of international business ethics. Consistent with the recommendations for locally orientated codes of ethics and specifically in relation to the international marketing arena Rallapalli (1999) has proposed that any global code of ethics should consider two levels – normative guidelines as well as specific behaviour and Smeltzer and Jennings (1998) have suggested four steps that will help a company ensure that their ethical standards are followed. These suggestions being:

1. training managers on the relationship between capitalism and excessive payments for services;
2. developing a code of universal values;
3. conducting cultural, economic, political and financial evaluations prior to commencing operations; and
4. using internal auditors extensively in foreign operations.

Once again, in an attempted to generate a usable code for application in the international context, it is not uncommon for companies to look at the older, more established multinationals and to borrow from their experience. While a good starting point it is imperative that a firm first reflect on the values that they are committed to despite variations
in operating locales and to then consider those standards of practice that they believe are both operational and enforceable.

**Criticisms of codes**

Having discussed the content of codes of ethics it is appropriate to reflect on the concerns surrounding the effectiveness of ethical codes. Criticisms regarding the likelihood of codes of conduct improving ethical standards in organisations have frequently been made (Cressey and Moore, 1983; Hunt *et al.*, 1984; Matthews, 1987; Buchanan, 1987; Akaah and Riordan, 1989; Robin *et al.*, 1989; Hyman *et al.*, 1990; Bavaria, 1991; Kjonstad and Willmott, 1995). Robin *et al.* (1989), for example, lamented, “codes have little to do with ethics and may not be able to mandate an ethical business climate” (Robin *et al.*, 1989, p. 66). The detractors of ethical codes have highlighted the difficulty of finding resolutions to inherent conflicts between business profit and societal ethical demands and have also emphasised the problems of reaching a consensus on the values underpinning codes (Callan, 1992). Naturally, this becomes even more problematic in the context of international codes. Robin *et al.* (1989) espoused that the true nature of most corporate ethics codes is that they are a bland list of platitudes that extol mum and apple pie type values and are largely intended for public relations purposes. Also of concern is that ethical codes of conduct are “superficial and distracting to the question of how to promote ethical behaviour in corporate life” (Warren, 1993, p. 185) with caution expressed that there is “no general statement of business principles recognised as definitive by practising managers” (Dunfee, 1987, p. 385). In a paper cynical of ethical codes, Schwartz (2000) posited that ethical codes are used by management merely to ensure compliance, as part of their control system, and are actually devoid of ethical content. Possibly, somewhat unfairly McCusker (1998) has indicated that there is a degree of naivety amongst organisations and some academics concerning the benefits of codes of conduct for an organisation and ultimately for the public and that ethical conduct “should reflect a corporation's actual behaviour and not provide a canvas upon which a representation of proposed or ideal behaviour can be exhibited” (McCusker, 1998, p. 2).

It has been suggested that criticisms of codes can be categorised under content and context with content being the range of ethical responsibilities covered and the context being the relevance of the code to the operating environment in which employees are making decisions (Lysons, 1995). Jenkins (2001) has gone even further and identified the shortcomings of codes as being related to; the limited number of issues they address, confusion as to who the codes apply to, structural limitations of the codes themselves, the limitation of codes to particular sectors and the tendency for codes to focus on particular issues. It therefore appears that criticisms of codes tend to raise the issues that the guidelines are not exhaustive and cannot cover all areas of potential unethical practices. As such, many codes rely on more general sentiments and, in doing so lack the specificity to be of practical value. Also that many employees find codes frustrating in that they are rarely prioritised. In a concluding comment, Cassell *et al.* (1997) have summarised that whilst there exists an informative body of literature concerning the prevalence of codes, there is a lack of consideration of their impact upon actual organisational behaviour.

**Effectiveness of codes**

Rising to the challenge the impact of codes in regard to their ability to alter employee behaviour has naturally come under the spotlight (Brenner and Molander, 1977; Weller, 1988; Kohut and Corriher, 1994) and it has been mooted that more research be conducted to establish the effectiveness of codes in promoting ethical conduct (Weber, 1993). Responding to this inevitable line of enquiry, some researchers have concluded that codes have limited to
no impact (Matthews, 1987; Akaah and Riordan, 1989; Callan, 1992; Cleek and Leonard, 1998). Matthews (1987) discovered only a weak link between the existence of ethical codes and corporate misbehaviour while Callan (1992) observed that employees' awareness and use of the organization's code of conduct generally proved to be poor predictors of ethical values. Similarly, Mitchell et al. (1996) found that the presence or absence of a code of ethics was not significantly correlated with perceptions of illegal activity. In a further effort to address the research deficit on whether codes are effective, Cleek and Leonard (1998) concluded that corporate codes of ethics are not influential in determining a person's ethical decision-making behaviour.

To be expected there are alternative perspectives. given the empirical support of the role of corporate codes and policy for improving ethical perceptions and standards in organisations (Brenner and Molander, 1977; Hegarty and Sims, 1979; Chonko and Hunt, 1985; Laczniak and Inderrieden, 1987; Ferrell and Skinner, 1988; Weller, 1988; Weeks and Nantel, 1992; Murphy et al., 1992). In addition, Weaver and Ferrell (1977) concluded that the existence of corporate policy is directly linked with improved ethical beliefs and behaviour of marketing managers. Examining market researchers, Ferrell and Skinner (1988) asserted that more formalisation in an organisation is associated with ethical decisions and also with reference to marketers, Singhapakdi and Vitell (1990) generally found organisations that have codes of ethics that are enforced, tend to be more sensitive to ethical problems when they occur and to choose ethical alternatives in the decision-making process. McCabe et al. (1996) concluded that the presence of corporate codes of ethics has been found by Somers (2001) to be associated with less perceived wrong-doing in organisations (intriguingly, professional codes of conduct have no influence on perceived wrong-doing) but not with an increased propensity to report observed unethical behaviour. In a somewhat tenuous finding, Valentine and Johnson (2005) confirmed that the practice of reviewing ethics codes during employee orientation was positively related to individual's beliefs that incorruptibility is an important individual virtue. The research has also expanded to examine not only behavioural but also job related impacts. For example, Weeks and Nantel (1992) noted that a sales force that is employed in an environment marked by the existence of a well-communicated code appears to be relatively high in job performance and job satisfaction.

In an attempt to reconcile the differing assessments as to the effectiveness of codes of ethics Hunt et al. (1984) has provided a plausible explanation for the inconsistencies indicating that they relate to the construction of the codes themselves, that is, codes were less effective where they were written in a vague manner and failed to address important issues. Taking a more proactive approach attention has subsequently turned from assessing the effectiveness of codes to ascertaining the factors that enhance the effectiveness of corporate codes of ethics. These were seen by Herndon (1994) as:

- the corporate code itself, specifically, how it was written and publicised, whether it was relevant, applicable to all levels of the organisation, accepted and contained sanctions and rewards;
- top management actions of ethics, meaning codes were supported by top management and with communication that unethical behaviour is not tolerated as well as an overall commitment towards ethical behaviour at all levels of the organisation;
- extent of ethical problems within the organisation, that is, the extent that ethical problems are limited and that peers are perceived to behave ethically; and
With a similar set of precursors, Snell and Herndon (2004) also indicated the factors likely to increase code effectiveness as being: corporate normative structure, leadership, external industry environment that supports the code's values, societal values, consultation, participation and involvement in code design, code content with a tone that is reader-friendly, internal consistency, a document that encourages open discussion, and is implemented with training rewards and disciplinary procedures.

**Implementation**

It has been extolled that implementing and enforcing a code of ethics can help companies reap success “fiscally and socially” (Verschoor, 1997, p. 42) however, it has been suggested that despite the recent proliferation of codes, their implementation remains relatively limited (Jenkins, 2001). The literature on the implementation of codes has for the most part been directed at organisations that are wishing to introduce codes of conduct, rather than an assessment of varying methodologies to support and enrich the adoption of codes (Laufer and Robertson, 1998; Sanders, 1982; Webley, 1988; Dean, 1992). In specific reference to marketing practices, Lozano (2001) provided guidance for the development of ethical codes, suggesting that, in the first stage, that an in depth analysis is made of the organisation and its environment; in the second stage, a first proposal should be drawn up to be discussed in different groups within the organisation and, in the third stage, a definitive version of the ethical code is developed. This should utilise experts in ethics and the support of the board in order to summarise the essential character traits and behavioural expectations of the organisation. In doing so, Lozano (2001) emphasises the importance of consultation and dialogue. Interestingly, companies indicated that the time taken to develop their code was usually less than a year and electronic communication and written booklets are the major methods of communication codes of ethics to employees (Svensson *et al.*, 2006).

Having developed and introduced a code of ethics, Ferrell and Pride (1981) cautioned that where a code of ethics is not integrated into organisational activities on a systematic basis, then the impact that it has on improving ethical behaviour is somewhat limited. The implementation of codes of ethics has therefore gone further in recent years than their just communicative intent, to also embrace an understanding and facilitation of the ethical decision-making process. Similarly, attempts to embed ethics as part of the overall organisational corporate culture suggest that codes require multiple attachments into organisational processes and behaviours in order to be effective.

To achieve this, Guerrette (1988) posed a five-step development plan of strategies towards rebuilding a company's value system in order to ensure the development of a corporate ethical ethos:

- development of corporate policy;
- corporate ethical code promulgation and value statement formulations;
- management ethical training and corporate ethical education; and
- corporate ethical performance evaluation.

Weber (2006) undertook a similar approach but in relation to the development of an ethical ethos in a school of business. O'Dwyer and Madden (2006) also outlined the characteristics for enhancing implementation of ethics codes, these being:
Enforcement

From past research, it appears that some form of normative structure does have an impact on ethical attitudes and behaviour, whether in the form of corporate policy (Weaver and Ferrell, 1977; Chan and Lee, 1986), formalisation (Ferrell and Skinner, 1988), or ethical codes (Brenner and Molander, 1977; Chonko and Hunt, 1985; Lacznia and Inderrieden, 1987; Ferrell and Skinner, 1988; Weller, 1988; Singhapakdi and Vitell, 1990; Weeks and Nantel, 1992; Murphy et al., 1992; Vitell and Hidalgo, 2006) and a notable feature of the material on implementation of codes are the numerous discussions focusing specifically on enforcement (Andrews, 1984; Vitell and Hidalgo, 2006). Molander (1987) has identified the most problematic aspect of implementing an ethical code as code enforcement. He noted that “incorporating an ethical code into existing procedures of personnel evaluation and reward substantially reduced the cost of enforcement” (Molander, 1987, pp. 629-30). The importance of enforcement to ensure adoption and ultimate effectiveness of codes has also been endorsed by Ferrell and Gresham (1985) and Adams et al. (2001).

Enforcement as a factor increasing the effectiveness of codes has been alluded to for some time but it does needs to be examined from the perspective of expectancy theory which includes not only punishment but also rewards. In a laboratory setting utilising an in-basket exercise, Stead et al. (1987) discussed the impact of rewards and penalties, referred to a “contingencies of reinforcement”, with the suggestion that the cause of behaviour could be explained by two alternative processes:

1. that situational and individual variables interact to cause behaviour; and
2. behaviour is not a result of individual differences but is socially learned via three situational variables – contingencies of reinforcement, learning history, and the vicarious influence of significant others (Stead et al., 1987, p. 105).

When examining contextual influences that may impact on an individual's propensity toward unethical actions, Mayer (1970) proposed that there are three conditions that have the potential to influence an individual's behaviour in situations with an ethical content the:

1. individual's inclination toward unethical behaviour;
2. opportunity to engage in unethical behaviour; and
3. expected gain versus the penalties of the unethical behaviour.

Initially examining the second condition of opportunity to engage in unethical behaviour this has been referred to as opportunity structure by Knouse and Giacalone (1992). Zey-Ferrell et al. (1979), Zey-Ferrell and Ferrell (1982) and Chan et al. (1988) reported that the opportunity for an individual to become involved in ethical/unethical behaviour will influence reported behaviour. In fact, the opportunity for unethical behaviour was found to be a better predictor of behaviour than personal or beliefs.

Turning now to the expected gains versus the penalties of the unethical behaviour and utilising a laboratory setting, which is not common in ethical research, Hegarty and Sims (1978, 1979) concluded: an individual's inclination toward unethical behaviour is affected by the impact of differing rewards and penalties on unethical behaviour. Naturally if rewards are
derived from unethical decision making, a higher incidence of such behaviour is likely to occur (Hegarty and Sims, 1978). Trevino and Youngblood (1990) found that unexpected rewards for ethical behaviour influenced their subjects while, in contrast, expected punishments for unethical behaviour did not. Consistent with expectancy theory, Knouse and Giacolone (1992) have pointed out that “where strong instrumentalities exist, that is, that certain behaviours lead directly and consistently to rewards, this would produce strong motivations toward both ethical or unethical behaviours” (Knouse and Giacolone, 1992, p. 373). Supporting this, Logsdon and Yuthas (1997) observed that employees make more effort to understand and follow top management's ethical values and guidelines if the organisation rewards people for following desired ethical practices while also punishing those who fail to behave ethically. Of more practical value, Weber (1993) identified four possible incentives that could act as rewards for ethical behaviour: recognition, appreciation, commendation, and monetary rewards while Kerr (1995) cautioned that organisations have a tendency to reward those aspects that are easily measured or quantified, such as financial performance or cost savings, rather than actual desired behaviours that cannot be readily observed or measured, such as ethical behaviour.

Converse to rewards it has been observed that ethical behaviour that is disciplined, and for which negative reinforcement or punishment is received, will be less likely to be repeated (Laczniak and Inderrieden, 1987). Consequently, disciplinary action in organisations has been found to be related to ethical positions (Chan and Lee, 1986) and in the study by Sweeney and Siers (1990) they reported that 70 per cent of the companies they surveyed included disciplinary measures in their codes. One could, therefore, assume that organisations with equitable reward systems, reinforcing ethical behaviour and in which a formal disciplinary policy is in operation, are likely through these direct and indirect control mechanisms, to impact positively on ethical attitudes and behaviour. Dean (1992) has however cautioned that the fear of sanctions may not be enough to ensure ethical decision making and more recently Nitsch et al. (2005) indicated that the ability to enforce the provisions of a code of conduct influences whether the code will be effective in shaping employee behaviour, but noting that enforcement relies, in part, often on the willingness of employees to report violations.

While advising managers to link rewards and punishments to ethical and unethical behaviour, Baucus and Beck-Dudley (2005) are wary that an over-reliance on rewards and punishments encourages employees to operate at lower levels of moral reasoning. Alternatively, advocate designing organisations as “ethical communities”. Baucus and Beck-Dudley (2005, p. 364) propose that:

[…] organisation based on virtues or moral principles results in a high trust culture, specifically in this type of environment, employees are fully empowered and trusted to make ethical decisions and behave ethically thus requiring minimal control systems and little reliance on rewards and punishments.

Organisational culture

Highlighting the importance of organisational culture Fritzsche (1991, p. 844) has defined culture as “the glue’ that binds the organisation together in common identity and actions”. Corporate culture influences the thoughts, feelings, and actions of employees and can “contribute to an individual’s moral development” (Trevino, 1986, p. 611). As Akaah and Riordan (1989) in their study of marketing managers have suggested a healthy ethical environment leads to strong ethical resolve. Trevino and Youngblood (1990) also found that a value-based cultural approach to creating an ethical organisation was most effective at preventing ethical lapses. Similarly, Vitell and Hidalgo (2006, p. 39) findings indicated that:
[...] in addition to one's country, playing a role in the perceived importance of ethics and social responsibility to the success of the firm, this construct was also influenced by the corporate culture.

The results highlight the important role that organisational culture plays in ethical decision making and in supporting codes. However, as a multi-dimensional phenomenon the measurement of corporate culture can be difficult and a perceptual indication of the strength of one's organisational culture needs to be combined also with a measure of value congruence. For example, Akaah (1990) confirmed that a strong identity with the organisation is associated with higher ethical behaviour. Consequently, when evaluating the impact of an organisation's corporate culture on ethical decision making, it is not enough merely to ask for a judgement of the perceived strength of the corporate culture, information also needs to be sought on the compatibility of personal values (value congruence) to the organisational values contained in that culture and the pressure they may experience where these values are at variance.

Closely related to opportunity structure is the factor of organisational pressure. Although initially intended to reflect external organisational pressures such as competitor influence and scarcity of resources, pressure to conform is a potential outcome of ethical conflict when an employee's personal business ethics are not compatible with the ethical expectations of the organisation. To date, the research has largely centred on the circumstance of an individual with higher ethical standards than the organisation feeling pressured to conform to the lower standards of the company (Brenner and Molander, 1977; Lacznia, 1983; Posner and Schmidt, 1987; Soutar et al., 1994), and the behavioural responses of managers to such circumstances have also been discussed (Smith and Carroll, 1984; Posner and Schmidt, 1987; Soutar et al., 1994). Moving from an individual to a group perspective interestingly the positive influence of conformity to group pressure has some support, with Nicholas and Day (1982, p. 202) presenting evidence that individuals interacting in a group produce decisions at a higher level of moral reasoning than the average of individuals acting alone.

Differential association theory also broadens the scope of influence to include the impact of, peers and associates. Originally developed in the criminological realm of deviant behaviour and defined by Fritzsche (1991, p. 844) simply as “the degree to which members associate with each other”. The theory of differential association posts that a person will tend to adopt the behaviour and beliefs of those he associates with according to the ratio of contacts with the individual. Differential association assumes that “unethical behaviour is learned in the process of interacting with persons who are part of intimate personal groups or role sets” (Ferrell and Gresham, 1985, p. 90). Zey-Ferrall et al. (1979) concluded differential association with peers and opportunity were found to be better predictors of ethical/unethical behaviour than the respondent's own ethical belief system. They also concluded that an individual may act in compliance with group pressure without internalising group norms. Izraeli (1988) also noted what peers do was the best predictor of ethical behaviour.

Svensson et al. (2006, p. 547) have noted that “companies are beginning to implement not only a code of ethics but other complementary initiatives that reinforce the need for the culture of the organisation to be ethical” and an ethical climate has been found to be positively related to a code's perceived usefulness (Wotruba et al., 2001). In order to strengthen the ethical climate and cultural dimension supporting codes numerous additional organisational strategies have been suggested such as; enhanced employer appraisal systems, the conducting of ethical audits, the support of whistleblowers, judiciary boards enhanced corporate planning, and ethics training (Lindsay et al., 1996; McDonald, 1998, 1999; Wood et al., 2004; Falkenberg and Herremans, 1995). Vitell and Hidalgo (2006) have observed that in addition to codes of ethics as a means of institutionalising ethics, organisations have made
structural and procedural changes such as the introduction of ethics ombudsmen, ethics committees and ethics newsletters. In addition to codes of conduct, Murphy (1988) recommended formal organisational implementation factors as, ethics committees, ethics conferences and training, and also ethical audits. He also identified informal organisational implementation strategies as being open and candid communication, and management setting a leadership example.

Leadership

Despite a few studies indicating that the actions of top management have minimal, or no, significant influence on organisational ethical behaviour (Murphy et al., 1992; Zey-Ferrell et al., 1979), referent others, as alluded to earlier, have been found to significantly influence ethical decision making in organisations (Baumhart, 1961; Brenner and Molander, 1977; Carroll, 1975; Hegarty and Sims, 1978, 1979; Arlow and Ulrich, 1980; Hunt et al., 1984; Posner and Schmidt, 1984; Vitell and Festervand, 1987; Akaah and Riordan, 1989; Dubinsky and Loken, 1989). Referent others could include the influence of peers (Izraeli, 1988; Zey-Ferrell and Ferrell, 1982) but more notably includes the role of supervisors and organisational leaders. Fisher (2001) observed that a manager's understandings and responses to ethical codes was a mediating factor between codes and their implementation and the research strongly supports the conclusion that the ethical philosophies and values of management have a major impact on the ethical choices and behaviour of employees (Stead et al., 1990; Soutar et al., 1994; Wimbush and Shepard, 1994).

The vicarious influence of leaders has been investigated by Posner and Schmidt (1984) who found employees consider unethical behaviour as being dependent upon organisational climate, especially the action of one's immediate boss and peers. This research replicated earlier studies that found the perceived behaviour of superiors to be the most important factor influencing unethical decision (Baumhart, 1961; Brenner and Molander, 1977). Zey-Ferrell et al. (1979, p. 559) also asserted that “peers and supervisors have a greater impact on behaviour in situations having ethical content than would mass media and impersonal agencies”. Dukerich et al. (1990) examined moral reasoning and noted that a group's moral reasoning decreased when the group leader operated at a low level of moral reasoning while Hornett and Fredricks (2005) when examining ethical leadership observed a distinction between public and private behaviour. Consequently, the role of management has been studied extensively with the common and intuitive conclusion that unethical decisions of employees are significantly influenced by the perceived attitudes and behaviour of immediate supervisors and senior managers.

With organisational leadership having a significant impact on both ethical and unethical behaviour it appears that despite all the good work that goes into the development of codes they can be relatively easily eroded (and enhanced) given the attitudes and behaviours of supervisors and organisational leaders. It is therefore not enough to rely on the code itself to achieve ethical outcomes as its effectiveness can be mitigated by counter prevailing views and actions of those in senior positions.

Conclusion

As Berenbeim (1995) observed, increasingly companies are viewing their employees as moral legislators and looking to them to reflect the company's principles and values in their everyday decisions. To achieve this, the role of ethical codes has been enhanced and the frequency of their adoption notably increased. More recently, Berenbeim (2000) observed three trends prompting the increased importance of codes of ethics, these being: globalisation
and the need to apply core principles that are universally acceptable, recognition that codes are now firmly part of corporate governance and the improved ethical literacy of senior managers. These trends were endorsed by Jenkins (2001) who also isolated several factors that have contributed to the growing interest in corporate codes of conduct. These factors are; global value chains that have led to calls for increased responsibility (not only on quality but also working conditions), environmental impacts, corporate reputation and the vulnerability to bad publicity, changing public attitudes and developments in global communication which has increased public awareness (Jenkins, 2001).

Evidence suggests that the adoption of codes is more prevalent in some industries than others. Reichert et al. (2000) observed that there is a relationship between the adoption of ethical codes and industry type. Industries such as the computer, electronic, scientific and photographic sectors that are involved with high-precision products, as well as industries mining crude oil, petroleum and natural resources, are more inclined to have a formal written code of ethics. In relation to the public sector, Doig and Wilson (1998, p. 140) caution that “the public sector must realise that it cannot look solely to formal codes to revive and sustain public sector values”. Despite the proliferation of codes there are those that are somewhat cynical of the motivations underpinning their introduction and use. For example, there is the danger of codes being seen as something more than they really are, and being used primarily to deflect criticism and reduce the demand for external regulation (Jenkins, 2001). On balance, it would appear that despite well-articulated reservations the benefits of codes of conduct are many and varied. These benefits being:

- altruistic, i.e. that of earning the respect of stakeholders, being a good corporate citizen and increasing staff morale;
- mercenary, i.e. increased business performance and company reputation;
- differentiating, i.e. enhancing differentiation and customer loyalty; and
- regulatory, i.e. avoiding litigation (Svensson et al., 2006).

From the perspective of company personnel the advantages of codes include; providing guidance to and inculcating company values, signalling expectations of proper conduct, nurturing a business environment of open communication, providing a basis for working together, and providing a safe environment (Lysons, 1995).

The benefits of ethical codes have been identified as impacting on not only the individual employees but that of the organisation and stakeholders. For employees, the use of ethical codes can provide a mechanism for communicating organisational philosophy in the realm of ethical behaviour as well as exposing employees to ethical issues before they are faced with a real ethical situation. A code will define the limits of what constitutes acceptable or unacceptable behaviour and creates greater levels of security. Codes of ethics can assist in the induction and training of employees and the building of corporate cultures. On a more practical level, the design, development and revision of codes requires constant clarification of employee and managerial thought on what actually constitutes unethical behaviour and the level of reflection and sensitivity that presupposes the development of codes of ethics is, in itself, an important organisational development tool Lozano (2001). Undoubtedly, the presence of a code of conduct, which outlines relationship management expectations, tends to evoke greater levels of support by customers and key stakeholders. For some organisations interestingly, codes of ethics are perceived to “have assisted them in dealings in the market place” and have used their ethical values to underpin their strategic planning process (Svensson et al., 2006, p. 547). Given these benefits and the likely continued use of codes of ethics the following discussion highlights a few key issues surrounding the development and dissemination of corporate codes to be considered in the future.
Customisation and flexibility

The design of codes and their content is not always easy with many organisations regretfully replicating, or slightly modifying existing codes, and in the future it hoped that great attention is given to the customisation of codes to the specific needs of the organisation in which the code will function. The key elements in the determination of the content are clearly the industry or sphere of activity that the organisation is operating in, the significant stakeholders, the anticipated target audience and the intended outcomes of the code. All of these need to be thought through before embarking on construction of a code. In relation to the actual content of codes, the dilemma between specific practices and general precepts has been significantly alluded to and continues to vex code writers. Robin et al. (1989) observed the tendency for codes they studied to be legalistic while Molander (1987) noted that where a code was too specific or prescriptive, there is a danger that the code becomes relatively inflexible. Alternatively, should a code be too general and rely purely on ethical principles, it has the potential to lack detail to provide necessary and adequate guidance. In the case of code design, it is definitely a case of the Goldie Locks Paradox of not being too hot and not being too cold. The dilemma of documents being too prescriptive and therefore not empowering employees versus the need for detailing of best practices has been significantly address by Farrell et al. (2002, p. 52) who have proposed “that the only satisfactory contents for codes are clear and precise behavioural dictates that lend themselves to a supporting disciplinary function”.

Consistency between codes and policy

Higgs-Kleyn and Kapelianis (1999) have noted in their study of professional and corporate codes that there was the potential existence of conflict with individuals being regulated by more than one code of ethics. Fortunately, in their study, few respondents experienced any conflict between such codes, however, given the multiple dimensions of professional lives the opportunity does exist and consideration needs to be given in those circumstances as to which code (profession or organisational) takes priority. A similar conflict could also occur where organisations have developed their code in isolation to other policies and processes operating in the organisation. It sounds axiomatic, but it is surprising to see the number of inconsistencies that can develop in the range of guidelines to employees that originate from a variety of different sources and which have been developed over time.

Revision and consultation

Codes are often viewed as static and once written remaining unchanged as part of the organisation's infrastructure for years to come. This is incorrect and it must be recognised that codes need constant revision in order to be updated and to accurately reflect the current concerns of employees, the organisation and the community at large. Consideration also needs to be given to the impact of changing technologies and the ethical ramification associated with these developments. To achieve this revision, further thought needs to be given as to how codes and their content are developed. It appears that codes are enhanced by undertaking consultation with employees to ensure both buy in Sanderson and Varner (1984), Stead et al. (1990), Stevens (1994), Trevino and McCabe (1994) and Trevino et al. (1999) and relevance (Doig and Wilson, 1998). Stead et al. (1990) recommended that to be effective, a code should be developed in an open, participative environment involving as many employees as possible. Trevino and McCabe (1994) also advocated the active involvement of employees in the development, interpretation and review of codes of ethics. While increasingly staff are having input into the development of codes, the initiation of the development, implementation and the revision of codes still appears to be the primary
responsibility of senior management, notably the chief executive officer, and with a low participation of external stakeholders, particularly unions and suppliers, an area which could warrant further attention in the future.

Dissemination and integration

When considering dissemination, that is, whether companies inform stakeholders of both the existence of a code and also of its content, this has been the subject of examination (Svensson et al., 2006; Benson, 1989). Alarmingly, Schlegelmilch and Houston (1988) found that only 60 per cent of codes were circulated to employees and that some did not go beyond the board of directors. It is hoped this is no longer the case. Clearly if a code is to be of any inspirational or instructional value then it needs to get out and be fully integrated into the organisation. In fact, Wotruba et al. (2001) has concluded that the perceived usefulness of ethics codes is positively related to familiarity with the code. Effective dissemination can be achieved through a variety of mechanism such as a published booklet, or a searchable web option and with frequent opportunities orchestrated where the code is discussed, i.e. during induction, training, strategic or departmental planning sessions code, as well as the more formalised arenas, e.g. corporate newsletters, ethics committees, ethical ombudsperson, ethical hot lines. But what of external stakeholders? The general conclusion is that outside stakeholders should also be informed of an organisation’s code of ethics particularly where their behaviour may inadvertently compromise the behaviour of an employee for example, in the event of gift giving.

Implementation and adoption

As has been noted, the existence of codes of ethics does not necessarily reflect active implementation of ethical practices (Nijhof et al., 2003). Clearly, some form of normative structure refers to the existence of codes of conduct but also to the presence of a formalised planning and review process. It is assumed that in organisations where both task and behaviour expectancies are established, communicated and reviewed, this will have a positive effect on the ethical climate of those organisations and the employees. It is also important to align the normative structure with the values upon which a code of ethics is based; otherwise the code will be ineffective (Snell and Herndon, 2004; Weaver, 1999). Therefore, for a code of conduct to be meaningful it must have clear methods of implementation and means to ensure that it is being complied with (Jenkins, 2001, p. 25). Implementation of codes could be perceived as falling into two categories, the adaptation of existing processes versus the creation of new processes to assist in code implementation, with the latter relating to new means of communication, induction, discipline, staff appraisal and strategic planning (Svensson et al., 2006). Directly looking at the issues of implementing an ethical code of conduct, Adam and Rachman-Moore (2004) commented that in recent years business organisations have invested heavily in formalised methods of implementation such as training courses and enforcement, however, their study indicated that informal methods such as the social norms of the organisation are perceived by employees to have more influence on their conduct and are likely to yield greater commitment. As a consequence, it is recommended that further investigation be undertaken of the means by which initiatives might be introduced to facilitate the orchestration of the informal communication and organisational structures that would support the implementation of codes.

Reporting and monitoring

The presence of corporate codes of ethics has been found to be associated with less perceived wrongdoing in organisations but, intriguingly, not with an increased propensity to report
observed unethical behaviour (Somers, 2001). Nitsch et al. (2005) also noted the phenomenon of non-reporting of ethical violations. This flags an important point for those responsible for corporate codes and increased attention possibly needs to be given to the development of strategies for increasing the propensity to report ethical violations. That is, how in a safe and respectful manner may ethical violations be identified, appropriately handled and incorporated into organisational learning. Weaver (1999) observed that in 1995, 50 per cent of American firms had a telephone-based method for employees to request advice on reported breaches of the code. Since this time one suspects organisations have embraced e-mail and with the ability to provide confidential and sometimes anonymous feedback to employee requests. Clearly the effective encouragement of appropriate means of reporting ethical violations is also an area where further consideration could be given.

Similarly, another area for attention is in relation to monitoring and reporting. How well an organisation is doing in promoting an ethical climate is often difficult to gauge and while there are no doubt metrics that can be used to assess key performance areas it would be intriguing to know the ability and extent to which organisations go to judge the effectiveness of a code and its supporting mechanisms. Both internal and external monitoring could be considered and at present it has been suggested that only few organisations (10 per cent) include “provision for independent external monitoring” (Jenkins, 2001, p. 25).

To conclude, to improve codes of conduct, they require relevant content, periodic revision, codes that match policy, simple terminology, the use of examples, mechanisms by which they are disseminated and supported, and sanctions clearly communicated and actioned where violations have occurred. In addition, codes need to be implemented within the context of the multi-faceted ethics programme and it is important to observe when examining codes that there is the likelihood of a maturing process that occurs over time. This evolution could be depicted through a series of identifiable steps, or tiers. First, tier codes would contain broad statements of principle and frequent references to statutory obligations. They include periodic internal reviews and are considered to be live documents to be amended as needed. They are disseminated out of routine. Second, tier codes are more prescriptive, including compliance measures, review mechanisms, public reporting via annual reports and web-sites, active participation in the code development and with the code's introduction possibly being supplemented with training. Third, tier codes are fully integrated with all organisational policies, compliance checks are formalised, internal and external review undertaken, regular revisions, oversight mechanisms are firmly established, supporting strategies implemented and personal ethical decision-making skills are developed (adapted from Canadian Banker, 1996).

Adam and Rachman-Moore (2004, p. 239) appropriately recognised “the disillusionment that can occur when an organisation does not live up to its rhetoric”. The realisation of the gap between what is preached by the organisation and what is practised by its employees can result in disappointment. This may impede the moral authority of the organisation so it should be remembered that good business ethics are produced not by codes but by a culture that is self-consciously ethical and walking the talk.

Notes

1. This paper has been developed from a chapter in G. Svensson and G. Wood (2000), Business Ethics: Through Time and across Contexts, Stuentlitteratur Publishing.

References


Herndon, N.C. Jr (1994), "Toward enhancing the effectiveness of a corporate code of ethics", *Proceedings of Inaugural Conference of the Centre for the Study of Business Values, University of Hong Kong, Hong Kong, 1-3 June*, .


**Corresponding author**

Gael M. Mcdonald can be contacted at: deanbuslaw@deakin.edu.au