This chapter 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 discussion of the criticisms of codes as well as the indicators of their effectiveness. The chapter concludes with an examination of the more pragmatic dimensions associated with the implementation, the enforcement, the influence of corporate culture and leadership.

Introduction

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. Clearly, codes can relate to not only the corporate environment but also the non-profit and charitable sectors. One intriguing code of conduct developed in September 2000 in Massachusetts, USA, was a Sport Parent Code of Conduct aimed at guiding the behaviour and character of parental oversight in sporting situations [http://www.nyssf.org/sportparent-codeofconduct.html]. For the purposes of this chapter, however, we will be focusing on corporate codes of ethics and it should also 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 organizations intended to provide moral guidance to employees and, more recently, wider stakeholders. It should also be noted that there is a dis-
tinction between corporate codes of ethics where the sphere of influence is that of the organization, 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.

Motivations for the Adoption of Codes of Ethics

Codes have been in existence for many years and, in the USA, date back to JC Penny in 1913 and in 1943 when Johnson and Johnson published its “Credo” [www.old.itcilo.org/actravenglish/telelearn/global/ilo/code/main.html]. 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 organizations against criminal liability or damage as a result of employee misconduct, was identified by Stevens (1994). Among the first companies to establish a code of conduct were General Electric, General Dynamics and Lockheed Martin. These companies had all experienced procurement scandals in the defence industry and the companies viewed business ethics as a way of promoting self-regulation and deterring government intervention and regulatory action [www-old.itcilo.org/actrav-english/telelearn/global/ilo/code/main.html]. Managing reputation and risk became even more apparent in the USA in the early 1990’s with the Sentencing Guidelines that proposed the potential minimising of corporate liability if an organization 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). 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:

- ensuring legal compliance and other statutory requirements,
- providing a guide for behaviour and formalised expectations,
- protecting and enhancing organizational reputation,
- ensuring employee, management and supplier compliance and minimising risk,
ensuring consistency across global networks,
creating and maintaining trust and confidence with stakeholders, and
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 organizations 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 organization. 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 organization’s ethical accountability to not only shareholders but also to a wider range of current and future stakeholders. Organizations operating at this level are characterised as having philosophies and norms of behaviour which they hold dear and wish to inculcate throughout their organization. To achieve this, the organization 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 organization’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 (e.g. Reichert et al., 2000);
- Australia (e.g. Wood et al., 2004);
- Britain (e.g. Ryan, 1994); and
- Europe (e.g. Winkler and Remisova, 2007).

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 multi-nationals 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 organizations, 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 (e.g. Callaghan et al., 2008). Callaghan et al., (2008) undertook a longitudinal study conducted at 5-yearly intervals from 1995 to 2005 and observed that, in 1995, moderate usage (45.7%) of codes was evident but dramatically increased with more substantial adoption in 2005 (89.4%). Anecdotally it therefore appears that codes of ethics are increasing in frequency for many of the reasons previously mentioned.

CONTENT

The borrowed versus tailored approach was mooted by Snell et al. (1996) who found, surprisingly, half the companies in the 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.
For those organizations 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. 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. 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). Apple have responded to this and, in their code, have indicated, "Environmental protection is a priority for the conservation of precious natural resources and the continued health of our planet. Apple recognises its responsibility as a global citizen and is continually striving to reduce the environmental impact of the work we do and the products we create. Apple's attention has been directed to its product design, responsible manufacturing, energy efficiency and recycling" [http://www.apple.com/environment]. Also encompassing their suppliers, Nokia has indicated that its environmental activities are based on life-cycle thinking, with the goal to reduce environmental effects during their product life-cycles. This is done by managing their own operations as well as their supplier network, incorporating design for environment (DFE) into their processes [http://www.nokia.com/A4254189].

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 organizations. 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). Professional associations frequently take a principles-based approach to their codes of conduct and, for example, the International Federation of Accountants (IFA), the global organization for the accounting profession representing 2.5 million accountants in 123 countries, which is committed to protecting the public interest, has proposed principle-based guidance advice in a number of areas including corporate governance [http://www.ifac.org/].
The underlying normative thrust of codes is sometimes quite clear, for example, the code of conduct for WiredSafety, the world’s largest internet, help and education organization, is very much based on a 'rights' approach, that is, the right of each person to enjoy cyberspace without being harassed, preyed upon or attacked, the right of each person to privacy and responsible treatment of their personal information, the parents' right to choose what their children see or don't see [http://www.wiredsafety.org/information/coc.html].

A similar approach has been taken by Ericsson, a global leader in the telecom industry, who have indicated that the Ericsson brand name should always be associated with respect for human rights, acceptable working conditions, and environmentally friendly business practice, for both their own and subcontractor organizations. The background to their code of conduct clearly states that Ericsson believes that people whose work contributes to their success should not be deprived of their basic human rights nor be forced to suffer physically or mentally from their work in any way. In their code of conduct, Ericsson have stated they expect employees to respect fundamental human rights, to treat their work force fairly and with respect and that they have documented a code of conduct in order to make their position clear to their own staff, suppliers and any other affected parties [http://www.ericsson.com/sustainability].

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:

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

International Codes of Ethics

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) has 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). A number of organizations have made valid attempts to look at the appropriateness of their existing codes to other contexts or to develop entirely new codes which are suitable for an organization operating in more than one geographical location. Shell Corporation has recognised the challenge. The Shell Code of Conduct covers topics such as: national and international trade, health, safety and the environment, personal and business integrity, financial and asset protection, people and information management. To ensure that their code is read by all staff within Shell, their website enables any employee to download the Shell Code of Conduct in their own language and provides 15 different language pdf's in order to facilitate the process [http://www.nam.nl/home/content/aboutshell/who_we_are/our_values/code_of_conduct].

The importance of having an international code of conduct became more pressing in the 1990's with numerous organizations coming under fire in regard to their overseas subcontract manufacturing facilities. In response to this pressure, Levi Strauss and Company was the first multi-national organization to establish guidelines to cover their sourcing and operating practices. The intention of the global sourcing and operating guidelines has been to help the company select business partners who follow workplace standards and business practices that are consistent with their company's policies and codes. The guidelines are applied to every contractor with trained inspectors providing the monitoring and compliance function, with over 600 contractors in more than 60 countries [http://www1.umn.edu/humanrts/links/levicode.html].

As mentioned earlier ethical theory has often not featured significantly in the development of codes of ethics on the domestic front and yet, in an 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. Their suggestions are:

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

Once again, in an attempt to generate a usable code for application in the international context, it is not uncommon for companies to look at the older, more established multi-nationals 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

Criticisms regarding the likelihood of codes of conduct improving ethical standards in organizations have frequently been made. 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). This becomes even more problematic in the context of international codes. Robin et al. (1989) espoused the view 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).

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 whom 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 criticism of codes tend to raise the issue that the guidelines are not exhaustive and cannot cover all areas of potential unethical practices. Nestlé appears to be very cognisant of this concern and, in their Code of Business Conduct, they specifically raise the point in the introduction that the code is not meant to cover all possible situations that may occur, and that it is designed to provide a framework of reference against which to measure any activities. Employees are requested to seek guidance when they are in doubt about the appropriate course of action in a given situation, as it is the ultimate responsibility of each employee to "do the right thing", a responsibility that cannot be delegated [http://www.nestle.com/resources].

Effectiveness of Codes

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 (e.g. Mitchell et al, 1996; Cleek and Leonard, 1998). Mitchell et al. (1996) found that the presence or absence of a code of ethics was not significantly corre-
lated with perceptions of illegal activity, and 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 organizations. Ferrell and Skinner (1988) also determined positive effects on employee moral behaviour, and the presence of corporate codes of ethics has been found by Somers (2001) to be associated with less perceived wrong-doing in organizations (intriguingly, professional codes of conduct have no influence on perceived wrong-doing) but not with an increased propensity to report observed unethical behaviour. 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) have 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 organization, 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 organization;
- extent of ethical problems within the organization, that is, the extent that ethical problems are limited and that peers are perceived to behave ethically; and
- external environment, where industry competition is limited and the national culture supports organizational core values.
Implementation

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 organizations that are wishing to introduce codes of conduct, rather than an assessment of varying methodologies to support and enrich the adoption of codes. In specific reference to marketing practices, Lozano (2001) provided guidance for the development of ethical codes, suggesting that, in the first stage, an in-depth analysis is made of the organization and its environment; in the second stage, a first proposal should be drawn up to be discussed in different groups within the organization 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 organization. In doing so, Lozano (2001) emphasises the importance of consultation and dialogue.

Having developed and introduced a code of ethics, Ferrell and Pride (1981) cautioned that where a code of ethics is not integrated into organizational activities on a systematic basis, 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 just their communicative intent, and a number of organizations have developed supporting strategies. For example, Colgate's Code of Conduct, which was introduced in 1987 to support the organizational values, is supported by Colgate's Global Hotline which provides a means of investigating and resolving ethical issues that arise in the organization and a mechanism by which advice can be given. The Hotline is available not only to employees, but also to customers and other stakeholders, enabling them to report any type of potential violation or questionable behaviour. An important component of the Global Hotline is its anonymity [http://www.colgate.com/app/Colgate/US/Corp/Living-OurValues/Sustainability/Respect].

Another organization that is attempting to achieve an integrated approach to decision making and which has established a complaints handling process, is the pharmaceutical company, Novartis. They support an open culture in which employees are required to report violations as they believe this is a key to deterring and preventing misconduct. Integrity telephone lines have been introduced in 70 countries enabling employees the option of reporting allegations in 51 languages, with the intention that the organization will respond within 72 hours and that each case will be dealt with within eight weeks. During 2007, the organization received 906 complaints [http://www.corporatecitizenship.novartis.com/business-conduct/business-practice/integ].
Ethics training is also frequently undertaken with further effort to embrace the facilitation of the ethical decision making process. Similarly, attempts to embed ethics as part of the overall organizational corporate culture suggest that codes require multiple attachments into organizational processes and behaviours in order to be effective.

O’Dwyer and Madden (2006) outlined the characteristics for enhancing implementation of ethics codes, these being:

- the method of code creation and introduction to employees;
- appropriate revision of codes;
- procedures for seeking advice or reporting violations; and
- disciplinary procedures in place for breach of codes.

Enforcement

From past research, it appears that some form of normative structure does have an impact on ethical attitudes and behaviour, and notable features 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. 629–630). In some organizations the enforcement dimension can be quite overt, for example, the charity organization Scrapping from the Heart, has provided very simple and clear guidelines and has indicated that, “below is our Code of Conduct and everyone is expected to abide by this Code. Failure to do so may result in dismissal from the organization” [http://scrappingfromtheheart.org/conduct.aspx].

The enforcement may not be undertaken by the organization itself and, in some government entities, there is a separation out of the monitoring and enforcement process. By way of example, in England there are two central monitoring bodies for local councils, the Standards Board for England and the Adjudication Board for England [http://www.oag.govt.nz/2006/conduct/part6.htm]. The Standards Board investigates allegations that a member of council has failed to comply with a Council’s Code of Conduct. In the 2004–2005 year the Standards Board received more than 3,500 complaints and 78 Councillors were suspended or disqualified from office. In contrast, in the corporate environment, responsibility for enforcement is usually retained with the organization and 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 Inder­
dren, 1987). Consequently, disciplinary action in organizations has been found to be related to ethical positions (Chan and Lee, 1986). One could, therefore, assume that organizations 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.

Enforcement as a factor of increasing the effectiveness of codes has been al­
luded to for some time but it does need 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: (i) that situational and individual variables interact to cause behav­

ior, 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 individual’s inclination toward unethical behaviour;
- the opportunity to engage in unethical behaviour;
- the 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 Giaco­
calone (1992). Zey-Ferrell and Ferrell (1982), Zey-Ferrell, Weaver and Ferrell (1979) 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 be­

haviour than personal beliefs.

Turning now to the expected gains versus the penalties of the unethical behav­

iour and utilising a laboratory setting, which is not common in ethical research, Hegarty and Sims (1978, 1979) concluded: an individual’s inclination toward un­

ethical behaviour is affected by the impact of differing rewards and penalties on unethical behaviour. It follows that 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 organization 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 organizations 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.

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, they advocate designing organizations as “ethical communities”. They propose that “an organization 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” (Baucus and Beck-Dudley, 2005, p. 364).

Organizational Culture

Highlighting the importance of organizational culture, Fritzsche (1991) has defined culture as “the glue that binds the organization together in common identity and actions” (Fritzsche, 1991, p. 844). As Akaah and Riordan (1989) in their study of marketing managers have suggested, a healthy ethical environment leads to strong ethical resolve. For example, at NEC Philips, their Code of Conduct in its introductory statement about the purpose and application of the code, clearly states, “We recognise that the key to enhancing the corporate value of the NEC Group is fulfilling our corporate social responsibility in our day-to-day work”. The attempt here is to fully integrate the proposed policies and guidelines into everyday conduct rather than having a code which stands on the side and is only used when the organization faces difficulties [http://content.nec-philips.com/hq/
This highlights the important role that organizational 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 organizational culture needs to be combined also with a measure of value congruence. For example, Akaah (1990) confirmed that a strong identity with the organization is associated with higher ethical behaviour. Consequently, when evaluating the impact of an organization'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 organizational values contained in that culture and the pressure they may experience where these values are at variance. 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.

In order to further strengthen the ethical climate and cultural dimension supporting codes, numerous additional organizational 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).

**Leadership**

Despite a few studies indicating that the actions of top management have minimal, or no significant, influence on organizational 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 organizations (e.g. Dubinsky and Loken, 1989). Referent others could include the influence of peers (Israel, 1988; Zey-Ferrell and Ferrell, 1982) but more notably includes the role of supervisors and organizational leaders. Fisher (2001) observed that a manager's understanding 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 (e.g. Stead et al., 1990; Soutar et al., 1994; Wimbush and Shepard, 1994).

Recognising the importance of ethical leadership and celebrating it has been the main motivation behind the furniture company, Steelcase, providing a press
release which acknowledges the ethical leadership of one of their senior staff. In 2008, Allan Smith of Steelcase Inc., was ranked 79th in the 100 most influential people in business ethics. The listing was provided by Ethics Sphere magazine which is a publication reportedly dedicated to highlighting the correlation between ethics and profit. Steel Case indicated how proud they were to have Mr Smith represent Steelcase as the only furniture company executive on the business ethics list [http://www.steelcase.com/ez/en/ourcompany.aspx?f=32170].

With organizational 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 organizational leaders. It is therefore not enough to rely on the code itself to achieve ethical outcomes, as its effectiveness can be mitigated by the counter prevailing views and actions of those in senior positions.

**Conclusion**

The role of ethical codes has been enhanced and the frequency of their adoption notably increased. 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.

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) caution that “the public sector must realise that it cannot look solely to formal codes to revive and sustain public sector values” (Doig and Wilson, 1998, p. 140). Despite the proliferation of codes, there are those who 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 (Svensson et al., 2006):
• altruistic, i.e. that of earning the respect of stakeholders, being a good corpo-
rate 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.

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

The benefits of ethical codes have been identified as impacting not only on
individual employees but also on the organization and stakeholders. For employ-
ees, the use of ethical codes can provide a mechanism for communicating organi-
zational philosophy in the realm of ethical behaviour as well as exposing employ-
ees 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 clarifica-
tion of employee and managerial thought on what actually constitutes unethical
behaviour. The level of reflection and sensitivity that presupposes the develop-
ment of codes of ethics is, in itself, an important organizational development tool
Lozano (2001). Undoubtedly, the presence of a code of conduct, which outlines
relationship management expectations, also tends to evoke greater levels of sup-
port by customers and key stakeholders. For some organizations, interestingly,
codes of ethics are perceived to “have assisted them in dealings in the market
place” and their ethical values have been used to underpin their strategic plan-
ning process (Svensson et al., 2006, p. 547). Given these benefits, and the likely
continued use of codes of ethics, it is to be expected they will require: continuing
maintenance, 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 viola-
tions have occurred, in order to enhance them. In addition, codes need to be im-
plemented within the context of a multi-faceted ethics programme and it is im-
portant to observe, when examining codes, that there is the likelihood of a
maturing process that occurs over time.

Adam and Rachman-Moore (2004) appropriately recognised “the disillusion-
ment that can occur when an organization does not live up to its rhetoric” (Adam
and Rachman-Moore, 2004, p. 239). The realisation of a gap between what is preached by the organization and what is practised by its employees can result in disappointment. This may impede the moral authority of the organization 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.

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