CODES OF ETHICS ARTEFACTS IN AUSTRALIA, CANADA AND SWEDEN: A LONGITUDINAL STUDY

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ABSTRACT

It would appear that corporations operating in Sweden have embraced the ethos of codes of ethics differently to their Canadian and/or Australian counterparts and that in each culture the way that companies fashion their approach to business ethics appears to be in line with their national, cultural values.

INTRODUCTION

Codes of ethics are not a new phenomenon, just one that now has become more prevalent as corporations, in particular, strive to ensure that they are seen as ethical in the marketplace. This need to be perceived as being ethical has emerged from the well publicized and analyzed debacles of corporate scandals played out across the world by companies from major developed economies. Stajkovic and Luthans (1997) see codes of ethics as one of the key antecedent factors that interact together to influence the ethical standards of people and organizations. Berenbeim (2000) sees codes of ethics as having a pivotal importance in making an organization more ethical. Nijhof et al. (2003) suggest that a code once written is not enough by itself to ensure a responsible ethical organization. They go on to say that ensuring that the values of the code are embedded in the organization can, one hope, ensure not only responsible individuals but also responsible organizations, therefore codes of ethics have a major part to play in enhancing the ethical performance of organizations (Wood, 2002).

Based on the Partnership Model of Corporate Ethics (Wood 2002), this study examined the measures in place to communicate the ethos of the corporate codes of ethics to internal stakeholders in three countries: Australia, Canada and Sweden. It, therefore, takes a comparative look at the codification of ethics amongst the top companies in these countries over two time periods: 2001-2002 and 2005-2006.

METHODOLOGY

Questionnaires that were non-sponsored and unsolicited were sent to the top companies operating in the private sectors within Australia, Canada and Sweden. The Australian survey document was sent to the public relations managers of the top 500 Australian companies (based on revenue) operating in the private sector. Companies were asked to answer up to thirty questions and to supply a copy of their code of ethics. The first stage of the study elicited 173 responses, with 81 indicating that they did have a code. In the second stage of the study the 500 packages delivered elicited 111 responses, with 76 indicating that they did have a code. The Canadian sample in the first study was drawn from the Summer 2001 edition of the Financial Post which annually ranks the top 500 companies in Canada. The same survey document elicited 140 responses with 100 indicating that they did have a code. In the second study, the Canadian sample was drawn from the Summer 2005 edition of the Financial Post. 106 questionnaires were completed and returned. The Swedish survey document was sent to the public relations managers of the top 100 companies in 2001-2002 and to the public relations managers of the top 500 companies in 2005-2006 (based on revenue) operating in the private sector. In the 2001-2002 study, the response rate was 74% with 72 companies returning the completed questionnaire and 40 companies acknowledging that they had a code of ethics. The Swedish sample in 2005-2006 had 113 companies acknowledging that they had a code of ethics.

The reason for the difference in size of the samples in the 2001-2002 and in 2005-2006 studies in Sweden was based on a judgmental selection procedure due to the structural differences in the marketplaces of each economy. The top 100 private sector companies in Sweden were deemed to be a satisfactory and representative sample of Swedish business at that time in 2001-2002, however, it was decided to extend the sample size in the 2005-2006 study in order to facilitate direct comparisons across the three cultures. The results will be reported in the form of: (2001-2/*2005-6*).

EMPIRICAL FINDINGS – AUSTRALIA, CANADA AND SWEDEN

This section summarizes the empirical findings of this cross-cultural and longitudinal study in Australia, Canada and Sweden in 2001-2002 and 2005-2006. The figures reported are those of the companies that specifically answered a question in either the affirmative or the negative.

Consequences for a Breach

A number of writers contend that within a code of ethics one should outline enforcement provisions for those individuals who do not uphold the code (Schwartz, 2002; Thomas, Schermerhorn and Dienhart, 2004; Trevino and Brown, 2004). The concern here is that consequences for a breach should not be just placed in the code as a public relations exercise, but they should be implemented in all good faith as a measure of commitment to the ethos of the code and the betterment of the organization. The frequencies for a breach of the code are high in all three countries in both studies (i.e. 2001-2002 and *2005-2006*: Australia: 89.6%/*95.9%*; Canada: 97.0%/*99.0%*; Sweden: 79.5%/*82.1%*) as obviously it is an important issue in all three cultures. It should be noted that there is an upward trend too from a high level to a higher one.

In companies operating in Sweden in 2001-2002, it appeared to be more important to achieve understanding and dialogue among employees than to impose negative consequences for a breach. This finding is consistent with Hofestede's (1983) Masculinity versus Femininity dimension of culture as the Swedish management style seems to be more one of coaching and mentoring, rather than controlling and exacting punishment for perceived transgressions. However, in 2005-2006 the gap to Australian and Canadian companies has been drastically reduced. The Swedish private sector has suffered from its own some scandals (e.g. Skandia and Systembolaget) therefore as a preventive move some companies may have tightened the stipulated regulations around unethical behavior.

Ethical Performance Appraisal

The view that organizations should formalize the ethical performance of employees through the employee appraisal system is supported by Trevino and Brown (2004). This idea, suggests that ethical decision making should become a part of the performance appraisal of individuals. This idea is a commendable one in that it integrates ethics into one's perceived organizational performance: it is another way of rewarding ethical behavior and discouraging unethical behavior.

The concern in this situation is with the way in which this process would be implemented and its probable vagaries and abuses. Like all performance appraisals that are not necessarily based upon quantifiable data, the subjective opinion of the line manager could be imposed upon the individual subordinate. Consequently, the organization is placing a lot of trust and faith in line supervisors. Therefore, this process would need to be scrutinized in great detail before its introduction and would need to be monitored once it has been introduced, however, the general principle is one that should be considered. The ethical performance appraisal is more frequent in Australia (70.5%/*77.3%*) and Canada (63.3%/*63.4%*) than in Sweden (39.5%/*44.2%*).

Conduct Ethical Audits

Garcia-Marza (2005) views the ethics audit as an integral part of the process of developing trust, with the other factors in developing trust being the existence of ethics codes and ethics committees in the organization. Ethical audits differ from the ethical performance evaluation of employees. Ethical audits are an examination of the organization's ethical performance, whilst the other is an examination on a personal level of the ethical performance of individuals within the organization. Organizations use evaluations in various facets of their operations in order to monitor the adherence by their various staff units to the policies and guidelines of the organization. Ethics should be one such area in which evaluations and/or audits are used to determine if employees are following the policies and ethical ethos of the organization.

Australian companies conduct ethical audits to a larger extent now than in the past. The conduct of ethical audits is rather similar in 2005-2006 between the three groups - Sweden (*53.1%*), Australia (*48.6%*) and Canada (*56.6%*) than in 2001-2002 when it was Sweden (62.5%), Australia (23.7%) and Canada (40.6%). The use of these audits across cultures may well be to ensure that all is going as expected in the business and may well be out of a sense of benevolence to assist the staff and not to monitor them as may well be the case in other cultures. Perhaps the management style is becoming one of guiding and mentoring rather than catching one out and punishing them, but one can not be sure that this assertion is correct.

Support of Whistle blowers

In a situation of revealing unethical behaviors or actions and taking steps to expose them, the dilemma that many employees face, is in knowing to whom one can take an issue so as to ensure its integrity; the integrity of the person against whom the complaint is made and usually, most importantly, for the person making the complaint, the guarantee of their own freedom from reprisals (Wood and Callaghan, 2003). The support of whistle blowers is more frequent in Australia (43.6%/*84.2%*) and Canada (48.0%/*89.2%*) than in Sweden (28.2%/*43.8%*), though there is a major increase in all three cultures.

The dramatic change in Australia in respect to the support for whistle blowing coincides with an amendment to the Australian Corporations Act enacted between the periods of the two studies. The increase in Australian interest may be an artificial one imposed by government. In Sweden, there is a minor increase in support and it may be indicative of our contention that business ethics is a concept that Swedish companies have been dealing with more recently than in Australia and Canada. The concept of whistle blowing may also be alien to Swedish culture, which from its feminine side sees no need for this type of action to be formally codified as individuals would naturally be listened to when they wish to discuss a matter of urgency and of importance to them. The longitudinal comparison across all three cultures indicates a drastic increase in the companies' support to whistleblowers.

Ethics Ombudsman

An ethics ombudsman is an area of inquiry that has a relationship with the issue of whistle blowing. Organizations need individuals who are designated in this position, in order that individuals within the organization who have genuine concerns can feel free to voice these concerns to an independent arbiter (Crotts, Dickson and Ford, 2005). If an organization has a person designated as a confidante to whom staff can go with ethical concerns, then hopefully employees will be encouraged to volunteer information about unethical actions and behaviors that they perceive are damaging to the organization. The ethics ombudsman is much more frequent in Canada (55.1%/*66.0%*) than in Australia (32.9%/*31.1%*) and Sweden (33.3%/*34.5%*). The concept of an ombudsman is more prevalent in Canada one may suggest because such roles have been a part of North American corporate culture since the early 1980s, whereas in Australia this concept of an ombudsman has been more prevalent in industry regulatory groups than in individual companies. In Sweden, it may well be as a result of the cultural link with the concept of whistle blowing, in that it is not perhaps seen as necessary and as such one does not require an ombudsman to protect staff, if culturally this is an accepted moré. Why have protection mechanisms if one does not need protection?

Guide to Strategic Planning

Thomas, Schermerhorn and Dienhart (2004) contend that leaders must think strategically about how they ensure that they engender an ethical culture within the organization. Leaders must have a vision to move their organization towards a better ethical culture. They must empower their employees to act in ethical ways. If the organization is serious about inculcating ethics into the organization, then ethics should be an integral part of the strategic planning process (Wood, 2002). Organizations should consider and review their plans in light of the ethical principles that the organization believes that it should apply and upon which it has predicated its decisions in respect to its participation in society. Our intent in asking this question was to test this link between the code and its use in the strategic planning process.

Using one's code as a guide to strategic planning is more frequent in Sweden (56.4%/*60.0%*) than in Australia (43.6%/*49.3%*) and Canada (35.7%/*39.0%*). This finding is of interest because it would appear that the companies operating in Sweden may have inculcated the ethos of their ethics philosophy more so into the heart of their operations than those in Australia or Canada. The longitudinal comparison indicates a minor increase across all three cultures in terms of the guide to strategic planning.

Ethics Committee

If business ethics is viewed as such an important part of the organization then an ethics committee may have been an idea that organizations have contemplated and an area in which they may have initiated action (Rampersad, 2003). The ethics committee was more frequent in Sweden (50.0%) than in Australia (26.6%) and Canada (38.8%) in 2001-2002, but it is now more frequent in Canada (*56.4%*) than Australia (*43.2%*) and Sweden (*31.9%*) in 2005-2006.This situation is of interest in

respect to companies in Sweden that have seen a reduction in the frequency of ethics committees whereas Australia and Canada have seen an increase over the study period.

It is unusual to see a reduction in the numbers from the earlier to the later study particularly in this area as one would have expected an increase of use not a decrease. Not to have a committee, signals to the employees of the organization and other stakeholders that the company does not see business ethics as an important enough area to warrant such attention.

Ethics Training Committee and Staff Training in Ethics

The two areas of ethics training committee and staff ethics training are linked from a theoretical perspective because of our belief that one cannot just expect employees to be ethical to the level of the organization's expectations without having some involvement with training. Such a committee can provide a fruitful environment in which employees can engage in discussion and have education in ethics in situations that they might face whilst in the organization's employ. A number of writers have advocated the use of training programs as a means of institutionalizing ethics within the organization (Rampersad, 2003; Schwartz, 2002; Trevino and Brown, 2004; Wood, 2002). The ethics training committee is not frequent in any of the three countries in either of the studies - Australia (19.0%/*24.7%*), Canada (27.6%/*30.0%*) and Sweden (17.9%/*19.5%*). Obviously, it appears not to be a concept that any of the three cultures has really embraced.

The staff training in ethics in both studies is similar in all cultures - Sweden (55.0%/*52.2%*), Australia (44.3%/*52.7%*) and Canada (45.8%/*58.4%*). The interesting finding here is that in all three cultures about half of the organizations do not engage in staff training in ethics. Not to train staff assumes that they must already have perfect knowledge in the area or perhaps it may subconsciously highlight that ethics is not really important enough to warrant company time. If the latter contention holds then that is concerning about the acceptance of business ethics by organizations. It leads to one to suggest that business ethics may just be window dressing to appease stakeholders rather than an initiative embraced by the organization as it should be. Not to educate and train staff in the ethics values of the organization may make a mockery of the entire process!

CONCLUSION

It would appear from the empirical findings presented that while Sweden, Canada and Australia are extremely similar in their economic and social development; there may well be distinct cultural morés and issues that are informing their business ethics practices. When one examines the actual percentages of support for staff per area and the overall average, Sweden and Canada in 2001-2002 appeared closer than did Australia to either of them. Australia as compared to Sweden and Canada did seem to lack support measures in place to assist staff to understand the ethos of the codes. This finding was in concert with a parallel longitudinal study to this study conducted by Wood and Callaghan (2003), when they found that in corporate Australia measures in place to support the ethos of the code were not only lacking, but there appeared to be no real improvement in these issues since 1995.

However, in our 2005-2006 study a different pattern may be distinguished. For example, Sweden ranks the highest in the 2001-2002 study in terms of: conducting ethical audits; using the code as a guide to strategic planning; having an ethics committee and providing staff training, while in the 2005-2006 study it is reduced to being the leader only in strategic planning. On the contrary, Canada is leading the others across all areas except for the one on strategic planning and Australia has progressed forward in a number of areas. Furthermore, Sweden is ranked or placed mostly third across most of the areas of staff support. Over the intervening years between the two studies the approach of each of the countries has shifted however, in each culture the approach to business ethics appears still to be in some measure in line with their national cultural values.

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