Developing, Communicating and Promoting Corporate Ethics Statements: A Longitudinal Analysis

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ABSTRACT. This paper reports on the findings of the third in a series of surveys of large U.S.-based and multinational corporations on their ethics statements. Focusing on four types – values statement, corporate credo, code of ethics and Internet privacy policy – we find growth in the use of these statements over the last decade. We discuss the external communication of these statements, including the avenues that are now used for promotion and their intended audiences. The paper concludes with a number of research issues to be addressed.

KEY WORDS: Ethics statements, code of ethics, corporate credo, value statement.

Introduction

Corporate ethics statements have a long history in both the business and academic worlds. The generic term "codes" of ethics was used to signify ethics statements until somewhat recently. These statements have risen in importance in the last several decades partially due to the growth of bigger companies and the necessity for them to outline rules to their farflung employees. The 1991 Federal Sentencing Guidelines encouraged the establishment of codes of ethics as part of a comprehensive ethics program (Rafalko, 1994). Most recently, a code or some formal ethics statement is mandated as part of the 2002 Sarbanes Oxley Act.

The earliest known ethics statement developed by a company is the "Penney Idea" promulgated in 1913 by J. C. Penney, who first called his outlets The Golden Rule Stores. It has seven points and the final one says: "To test our every policy, method and act in this wise: Does it square with what is right and just?" (Oliverio, 1989). The famous Johnson & Johnson Credo was introduced in the 1940s by Robert Wood Johnson (1947). Codes of ethics were introduced as early as the 1930s but became popular only in the 1970s when many large firms adopted them as a response to several corporate scandals at that time.

Academic study of ethics statements has focused both on conceptual and empirical research. Conceptual analysis examined until recently on ethics codes exclusively. Much of this work was devoted to developing more "ideal" codes. For instance, Harris (1978) proposed a "workable" code for business; Molander (1987) presented a comprehensive list of arguments for a corporate code; Murphy (1988) advocated that codes should be specific, public documents, blunt and realistic and revised periodically; Benson (1989) provided a blueprint for improving the "usefulness" of codes of ethics; Weaver (1993) stated that codes are a governance mechanism that projects broad ethical values regarding the treatment of various stakeholder groups; and Schwartz (2002) applied a set of six universal standards to four different stages of code development and concluded that most codes have room for improvement.

Empirical research has dealt primarily with surveys of companies and their employees. One strand of this research examines the existence of codes which have increased from less than 40% in the 1950s to over 90% since the 1990s (Center for Business Ethics, 1992; Fulmer, 1969). In earlier research, this writer (Murphy, 1995) advocated that ethics statements not only include codes but corporate credos and values statements as well. Several recent empirical studies have concentrated on the effectiveness and impact of statements on employees. Key findings are: codes can have strategic benefits and can potentially influence long-term performance

by deterring inappropriate decisions (Weaver et al., 1999); the presence of a code appears to have a positive impact on perceptions of ethical behavior (Adams et al., 2001); and, "when executives believe in the strategic and reputational benefits of ethics codes, they are more likely to adhere to them" (Stevens et al., 2005). Urbany (2005) discusses the impact of values statements that are seen as only symbols of external communication rather than true vehicles to be used in the decision making process. This paper examines the techniques that are used for external communication.

Several conceptual and empirical studies reviewed above have advocated that ethics statements must not only exist but also be communicated both inside and outside the organization (Benson, 1989; Murphy, 1995; Weaver, 1993). This project pertains to the communication issue as well as extends to the types of promotion that are utilized for these statements. Another common thread among the critics of corporate codes, especially, is that such codes should assist employees in making ethical decisions in their day to day activities by spelling out areas of specific concern for the company. For example, a mail order company should have a very different code than an automobile manufacturer.

This paper reports on the third of a series of surveys of large companies and the types of ethics statements that each has in place. It also compares the results of this study conducted in 2003 with studies conducted in 1992 and 1997 (Murphy, 1995, 2001). The focus here is on the presence of ethics statements, how they are communicated and promoted and the areas of specific guidance given to employees.

Corporate ethics statements

The types of corporate ethics statements includes four possibilities – values statement, corporate credo, code of ethics and Internet privacy policy. Since the first three have been examined earlier (Murphy, 1995), only a brief description is provided here.

Values statement

This succinct document often makes reference to such corporate qualities as integrity, trust, teamwork and fairness. The number of values included in these statements typically range from 3 to 10 (Murphy, 1998a). Values statements are intended to set out the guiding principles of a firm. While a few firms limit their values to purely "economic" ones, most values statements contain one or more that are considered primarily moral or ethical. A comprehensive examination and reformulation of its corporate values was undertaken recently by IBM (Hemp and Stewart, 2004). The firm engaged a large number of employees on its Intranet site regarding changes to the corporate values. After substantial discussion by management and input from employees, the new three item values statement was unveiled in 2003.

Corporate credo

A credo or belief statement usually delineates a company's beliefs and/or responsibilities to its stakeholders. It is generally longer than a values statement and often presented in paragraph form. In addition to the two well known credos discussed above, the Hewlett Packard "HP Way" introduced by the firm's founders and Tom's of Maine's "Statement of Beliefs" are additional illustrations (Murphy, 1998a). The credo often serves as a benchmark document for companies desiring a cohesive corporate culture. Both communication and evaluation are essential for a credo to work. J&J has translated its credo into thirty-six languages and conducts annual evaluations of every line of the credo (for more discussion of the J&J credo, see Murphy et al., 2005, pp. 7–9).

Codes of ethics

These are more detailed treatment of a firm's ethical policies. They can range in length from two or three pages to over one hundred pages (one of the big four accounting firms has a 125 page code). Codes commonly address issues such as conflict of interest, gift giving and receiving, relationships with dealers, increasing workforce diversity, human rights and competitive intelligence. The discussion above provided both a corporate and academic background for codes. Companies such as British Petroleum (bp), Caterpillar and Weyerhaeuser are known for having

pertinent, up-to-date (frequently revised) and reasonably comprehensive codes of ethics.

Internet privacy policies

The newest type of ethics statement is a privacy policy for the Internet. Companies have developed such policies in recent years as they do more business on the web and collect information about both customers and visitors to the firm's Website. While many firms have taken a "legalistic" approach to such statements, the best ones seem to be those written in plain English and are easily understandable. Just as companies are criticized for not living their other ethics documents, Internet privacy policies have been known to be violated by the firms that develop and post them. One author contends that companies must be "transparent" in dealing with privacy issues (Brin, 1999).

Method

2003 Survey

Data were gathered for this study by a mail survey. A two page questionnaire was developed and pre-tested. The instrument contained a combination of multiple choice, open ended and scaled questions about the company's ethics statements. Demographic information regarding number of employees, annual sales and type of business was collected. The cover letter was addressed to the Chief Executive Officer with instructions to pass the survey to the ethics officer or person at the firm most knowledgeable about the ethics program.

The sample for the survey was drawn from three sources. First, the 2003 *Forbes* 500 which was published in the magazine in April provided one source. Second, *Forbes* also published a listing of the largest private companies in the United States. These 225 companies were also surveyed. Finally, the *Financial Times'* list of the top fifty largest multinational corporations was also contacted. Only those that were headquartered outside the United States were surveyed (since the largest U.S. multinationals appeared on the *Forbes 500*). The cover letter noted above, along with the survey and a postage-paid reply envelope, comprised the packet sent to each firm. A postage paid reply postcard was also included for companies desiring an executive summary of the results.

The survey was sent out during the spring and summer of 2003 to the potential respondents. One hundred thirty of the *Forbes* 500 companies responded (26% rate), while forty-eight of the private firms did (21% rate) and only twelve (24% rate) of the multinationals responded. The total sample size was 192. While the rate of response is somewhat disappointing, it is consistent with other mail surveys (Sparks and Hunt, 1998). Only one wave of the surveys was sent for cost reasons.

Table I depicts the characteristics of the responding companies. The category of business was dispersed across a number of industries with only consumer packaged goods and consumer durables receiving a noticeably fewer responses. The number of employees and total sales was skewed to the larger categories (given the characteristics of the population sampled). Respondents came most frequently from the legal and HR functions of the firm.

1992 and 1997 Surveys

The earlier surveys also utilized a mail survey technique. The samples were drawn exclusively from the *Forbes 500*. In 1992, there were almost 800 companies on that list and in 1997 the figure was 785. The response rate in 1992 was almost 30% (235 surveys returned), while the rate dropped to 25% in 1997 (198 responses). In both instances, at least a dozen companies sent back letters that they did not respond to any academic queries.

The earlier surveys attempted to gain insight into the status of corporate ethics statements and training in these large U.S. companies. The first survey went into more depth regarding the approach used in ethics training, but in both instances the same questions were used regarding ethics statements so that a comparison could be drawn.

Results on ethics statements

Of the 192 responding companies, every firm had at least one type of ethics statement in place. As

TABLE I

Characteristics of responding companies

Major Business Category	
Consumer packaged goods	8%
Diversified financial corporation	22%
Consumer Products (durables) manufacturer	5%
Services corporation	15%
Industrial products manufacturer	20%
Retail corporation	15%
Utility	15%
Number of employees	
Under 5,000	14%
5,001–10,000	14%
10,001–30,000	29%
30,001–80,000	29%
Over 80,000	16%
Approximate annual sales	
$1 billion or less	7%
$2–3 billion	15%
$4–9 billion	27%
$10–15 billion	16%
$16–20 billion	12%
Over $20 billion	22%
Respondent's functional responsibility	
CEO	4%
Human resources	25%
Legal	33%
Ethics Officer	15%
Auditing	4%
Other	19%

has been found in other studies, over ninety percent of the responding companies indicated their firm had a written a code of ethics. Sixty-eight percent of the responding companies had both a values statement and an Internet privacy policy. As shown in Table II, values statements have been adopted by an increasing percentage of firms over the last decade. Corporate credos are the least widely utilized but still have grown in usage over this period.

One of the trends that this survey uncovered is the fact that many of these firms have multiple ethics statements. Somewhat surprisingly, 38% indicated that they had all four types of ethics statements – code, credo, values statement and Internet privacy policy (see Table II). This number grew by several percentage points since the late 1990s. The second

highest percentage (20%) stated that their firm had three of them (code, values and privacy). This compares with the 1997 survey where 31% which had a code, credo and values statement (Internet privacy was not included) and a little higher percentage (28%) had both a code and values statement.

Communication and promotion of ethics statements

One important aspect of ethics statements is the communication and promotion of them. Communication of ethics statements can take several forms and can occur both internally and externally. Historically, companies have seen their ethics codes and other statements as primarily aimed at an internal audience. This survey and the preceding ones tried to ascertain where the communication emphasis was placed.

Some observers of codes contend that companies do not "live" their ethics statements. For example, Urbany's (2005) results suggest that some employees question managerial commitment to the firm's ethics policies. Even more fundamental is the communication of these documents to outsiders. In earlier research, this writer found that the emphasis was placed on communicating the ethics statements internally. A comparison of the three surveys shows that companies are responding to the critics in terms of now making their ethics statements public documents. This trend may have been facilitated by the fact that all Internet privacy policies are by nature public since they are shown on the company's website. The results are as follows:

Communication of Ethics Statements	1992	1997	2003
Only to employees (%)	53	57	37
Both internally & externally (%)	47	38	61
Unspecified (%)		5	2

If organizations are to be successful, they need to "promote" their products to consumers and other stakeholders. Ethics statements are no different. In both the 1997 and 2003 survey, a question was asked about if and how the firms' ethics statements were promoted. Companies that actively promote their

TABLE II

Corporate ethics statements

	1992	1997	2003
Code of Ethics (%)	91	93	92
Corporate credo (%)	34	43	46
Values statement (%)	53	63	68
Internet privacy policy (%)			68
All of the above (%)		31	38

TABLE III

Promotion of Ethics Statements

	1997	2003
Statements actively promoted (%)	75	98
Techniques used		
Website (%)	24	86
Booklets (%)	21	78
Posters (%)	16	48
Cards (%)	18	39
Framed (%)	14	31
Videos (%)	9	42

ethics policies through multiple avenues would seem to be taking a ''marketing oriented'' posture.

The data in Table III show that now virtually all companies (98%) promote their ethics statements in some fashion. This is a noticeable increase from 1995 when only three-fourths of the respondents actively engaged in promotion. The same techniques are utilized but in virtually all cases the percentage of companies using these promotional tools jumped dramatically (i.e., Website from 24% to 86% and booklets from 21% to 78%). In all cases, the percentage of these companies using these tools increased at least 17%. This seems to indicate that the responding companies (which may not be typical of all firms) are now heavily promoting their ethics statements using multiple methods.

Guidance Communicated in Codes of Ethics

Another issue with respect to codes of ethics is what guidance they communicate to employees about acceptable and unacceptable behavior. That is, communication in codes specifies the areas where

they believe employees need more direction. Table IV compares thirteen areas of potential guidance and the percentage of firms which state that they give employees specific guidelines to follow. The results of the 2003 survey closely parallel those of the 1997 one in eleven of the areas. Points of departure (greater than five percentage points) are: competitive intelligence (72% in 2003 compared with 62% in 1997) and international issues (53% vs. 37%). These findings appear to reflect the increasingly competitive and global world in which business now operates.

Two other observations about Table IV are warranted. The rank order of the communication regarding the importance of the areas is almost identical from six years ago. On one hand, this should not be surprising as the sample was drawn from very similar populations. On the other, one would think that more than one or two issues might shift in importance over a several year time frame. The second point is that some important marketing issues are not covered widely in codes. As was the case previously, advertising and product safety were at the bottom of the list. It may be that product safety is viewed as more of a legal than ethical issue, but with toys and other products aimed at children as well as automobiles and now food products, it seems that more emphasis would be placed on this topic. Also, it is somewhat surprising that only thirty percent of companies, who in most instances, spend millions of dollars yearly on advertising have any concrete guidance in their code on this issue. Of course, most use ad agencies but it appears that more firms would have more to say on this important and often criticized aspect of marketing (Bishop, 2000; Spence and Heekeren, 2005).

Research questions

This third study of corporate ethics statements leaves us with several possible research questions to be considered:

- The growth in ethics statements (see Table II) is clear from this longitudinal research. A question that needs to be studied is the effectiveness of these statements. How much do they influence behavior? Are multiple ethics statements more effective in reducing

TABLE IV

Areas of Specific Guidance in Codes of Ethics

	1997	2003
Gift giving/receiving (%)	94	95
Bribery/Grease payments (%)	86	90
Workforce diversity (%)	71	74
Selling practices (%)	62	62
Competitive intelligence (%)	62	72
Working conditions/Safety (%)	58	57
Environmental problems (%)	57	59
Relationship with dealers (%)	56	59
Pertinent/Industry specific issues (%)	44	47
Human rights (%)	39	37
International issues (%)	37	53
Advertising (%)	31	30
Product safety (%)	31	32

unethical actions than having just a code that is widely disseminated and followed?

- The communication of ethics statements has increased over the last decade. Certain firms are placing an increasing emphasis on communication because they think it is the right thing to do (Baum, 2004; George 2003). Some, however, may be communicating more broadly for mostly symbolic reasons. Thus, do any companies feel uneasy that these statements are now more publicly accessible? Are the firms that were the first to communicate their statements widely more "ethical" than those who have just done it recently? (See Urbany, 2005 in this issue for some mixed evidence.)

- Promotion of ethics statements now is also more plentiful. Table III shows the most popular avenues for promotion, but does not specify which are the most effective. Is some or much of this promotion ineffective or wasted? Or, do multiple exposures help reinforce the ethics message?

- One discouraging finding from these surveys is that marketing ethics concerns such as advertising and product safety are the least frequently covered areas in codes. (Selling, however, does receive substantial discussion in many codes.) What are the reasons for this lack of coverage? Most of the companies in

this survey spend millions of dollars per year on advertising, yet only 30% of them say anything about their stance toward this sensitive area. They do hire advertising agencies, but should they abdicate their ethical responsibility to them? Earlier work by this author indicates that this lack of emphasis can lead to problems (Drumwright and Murphy, 2004; Murphy, 1998b). Similarly, what is the rationale for a similar low percentage including "product safety" concerns? Do those who develop codes see safety as only a "legal" issue? Companies that market products such as toys, autos, alcohol and other safety-sensitive products likely should offer an ethical position on this area too.

- The similarity of specific guidance covered by codes of ethics also seems to mean that much of the material in codes is "boilerplate" especially given the modest percentage (approximately 40) of codes that contain "pertinent" information to the industry. To offer a marketing suggestion, these statements appear to need greater "product differentiation." A potential research question is to investigate the reasons for such little deviation in code content or why do only a minority of companies see the code as a vehicle for offering a different type of ethical advice?

Conclusion

Several conclusions can be drawn from the findings of this study. First, there are several kinds of corporate ethics statements and they are growing (see Table II). Most of the large companies surveyed now have multiple ethics documents. Second, communication of these ethics statements is improving. Especially significant appears to be the jump in percentage of these statements that is now available to those outside the firm (61% in 2003 vs. less than 50% in the two previous surveys). Third, these statements are promoted widely (see Table III). Finally, guidance given to users of the code remains somewhat standard. This finding as well as the lack of questions regarding the impact of these statements means that while codes have some value, their potential effectiveness is likely dependent on orga-

nizational commitment to them. In sum, it appears companies have sufficient ethics statements in place. Now it is time for firms to deliver on the promises of such statements.

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