

A Comparison of the Contents of the Codes of Ethics of Canada's Largest Corporations in 1992 and 2003

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ABSTRACT. This paper compares the findings of content analyses of the corporate codes of ethics of Canada's largest corporations in 1992 and 2003. For both years, a modified version of a technique used in several other studies was used to determine and categorize the contents of the codes. It was found, *inter alia*, that, in 2003, as in 1992, more of the codes were concerned with conduct against the firm than with conduct on behalf of the firm. Among the changes from 1992 to 2003 were a significant increase in the frequency of mention of environmental affairs, legal responsibility as the basis of codes and enforcement/compliance procedures.

KEY WORDS: Business ethics, Corporate ethics, Corporate codes, Ethical conduct, Code contents, Ethical standards, Determinants of ethical conduct, Codes of ethics

Lefebvre and Singh (1992), in a study of Canada's 500 largest corporations, content analyzed their codes of ethics. They found that, *inter alia*, a third of the responding firms had fairly well developed codes; issues pertaining to conduct against the firm were addressed to a greater extent than issues concerning conduct on behalf of the firm and that the most frequently addressed issues were those policies that pertain to conflicts of interest and the integrity of books and records. They concluded that the focus of Canadian corporate codes of ethics was protection of the firm and that while some of the codes refer to issues of social responsibility, they were mainly concerned with conduct against the firm (p. 808).

The current paper compares the findings of Lefebvre and Singh (1992) to those of a similar survey of Canada's 500 largest corporations, as identified by the Financial Post, conducted in 2003.

Corporate codes of ethics are one of several influences on ethics in organizations. In a model (see Figure 1) that goes beyond philosophically-based ethics, Stajkovic and Luthans (1997) use social-cognitive theory to identify factors influencing business ethics standards and conduct. They propose that a person's perception of ethical standards and subsequent conduct is influenced by institutional factors (e.g., ethics legislation), personal factors (e.g., moral development), and organizational factors (e.g., code of ethics). The key antecedent factors triadically interact to influence ethical standards (Stajkovic and Luthans, 1997, p. 32). The current study examines a major organizational factor, code of ethics, in Canada's largest organizations. In particular, this study examines the contents of codes of ethics of Canada's largest corporations, comparing their contents in 1992 and 2003. While several aspects of corporate codes may affect behaviour in organizations, their contents are critical to effectiveness.

Changes in content over time reflect changing values in organizations. As Weaver (1993) suggests, "generally absent from existing research are longitudinal studies of content change, which can indicate the sources of code content: e.g., top management changes, legal pressures, general social trends, scandals, actions by reputationally prominent firms, changes in organizational structure, etc. (p. 54). Kaptein (2004) suggests that periodic analysis of the content of business codes tracks the extent to which there is evidence of further homogenization or diversification in codes (p. 27).

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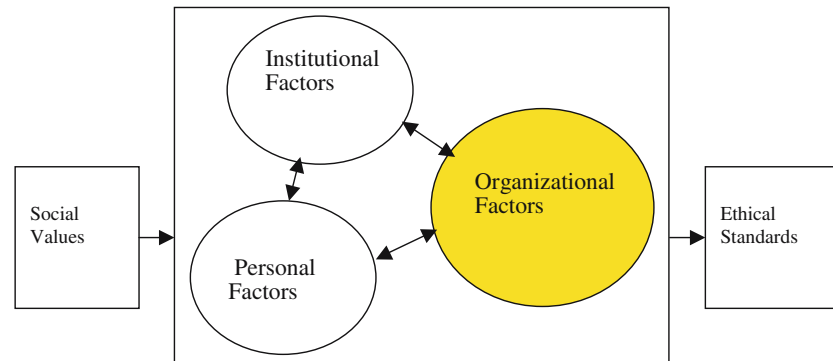


Figure 1. Theoretical Framework (Adapted from Stajkovic and Luthans, 1997).

A corporate code of ethics is “a statement setting down corporate principles, ethics, rules of conduct, codes of practice or company philosophy concerning responsibility to employees, shareholders, consumers, the environment, or any other aspects of society external to the company (Langlois and Schlegelmilch, 1990, p. 522). In the same vein, Kaptein (2004) states that a code clarifies the objectives the company pursues, the norms and values it upholds and what it can be held accountable for (p. 13). These documents vary in length, and breadth and depth of topics covered. Berenbeim (2000) cites three trends as evidence of the growing importance of corporate codes of ethics: the globalization of markets and the need for core principles that are universally applicable, the acceptance of these codes as part of the corporate governance as illustrated by increased participation of boards in their development and the improved ethical literacy of senior managers as illustrated by the increasing sophistication of the codes. In some circumstances, as a condition of doing business, corporations are required to have a code of ethics. For example, listed companies on the New York Stock Exchange must not only have a code but one which covers stipulated issues and is accompanied by appropriate compliance standards and procedures (Verschoor, 2002). At the Toronto Stock Exchange, Canada’s largest, it is recommended, but not required, that listed companies have a corporate code of ethics.

Several studies, using varying methodologies, have examined the contents of corporate codes of ethics. The methodology used in the current study has its genesis in a study of American corporations conducted by Cressey and Moore (1983). They comprehensively examined the contents of 119

codes along three broad areas: policy (specific issues addressed in the code), authority (what makes the codes policies ethical, morally necessary or legitimate) and compliance procedures. Cressey and Moore found that there is minimal agreement among officials on the subject matter of codes with only 3 of 15 policy issues mentioned in at least two-thirds of the codes, and only half of the issues covered by less than one-third of them. Their analysis showed that conflict of interest was the most emphasized item in the policy area, that the codes were predominantly founded on principles related to the business world and that three-quarters of the codes referred to compliance procedures.

Matthews (1987) evaluated the codes of 202 American corporations using a method similar to that used by Cressey and Moore (1983). She examined the content of the codes along three broad areas: the behaviour and actions discussed in the code; the enforcement procedures mentioned, and the penalties associated with illegal behaviour. These 3 broad areas encompassed 64 items evaluated according to the following scheme: not discussed, discussed, discussed in detail, emphasized. Matthews (1987) group the 64 items into 10 major areas (collapsed into 7 in the current study). Overall, she found that the codes addressed conduct relating to consumers and the general public less frequently than conduct against or on behalf of the firm. She also found that the codes overwhelmingly cited legal over ethical considerations as their foundation.

Hite et al. (1988) found 42 different problems addressed in 67 codes of Fortune 500 corporations they content analyzed. They found that among the issues most frequently covered were misuse of funds/improper accounting or reporting procedures and

conflict of interest. They also found that only 28% of the codes mentioned penalties for non-compliance.

In one of the earliest studies of Canadian codes of ethics, Brooks (1989) found that the 10 most important topics covered by them were corporate citizenship, conduct of personnel, product or service commentary, planning, shareholders, trust of the company name and representatives, competence of personnel, external communications, customer needs and internal communications (p. 122). Lefebvre and Singh (1992), using an approach similar to that of Cressey and Moore (1983) and Mathews (1987) content analyzed the codes of 75 of Canada's top 500 companies. In that study, a comparison to which a similar 2003 study is the subject of this paper, it was found that, *inter alia*, issues pertaining to conduct against the firm were addressed to a greater extent and more frequently than were issues relating to conduct on behalf of the firm, with those most frequently addressed being conflict of interest and the integrity of books and records. They also found that over two-thirds of the documents cited ethical responsibilities as being the basis of the code and almost three-quarters specified enforcement/compliance procedures (p. 808).

Lefebvre and Singh (1996) subsequently compared their 1992 Canadian findings to those of Mathews' (1987) American study and found that except for the finding that American corporations cite legal responsibilities more frequently as the basis of their codes, Canadian and American corporate codes of ethics are remarkably similar. They concluded that the codes from both countries were mainly concerned with protection of the firm, focusing on conduct against the firm rather than on issues of social responsibility (p. 165).

The striking similarity of the contents of Canadian and American codes does not extend to European codes. Langlois and Schlegelmilch (1990), in an analysis of 189 codes of corporations in Britain, France and West Germany relative to similar American firms found that fewer European than American firms had adopted codes of ethics and that there were striking differences between the contents of European and American codes. These differences were mainly in the areas of employee conduct, supplier and contractor relations, and political interests. They also found that there were differences in the contents of codes among Britain, France and

West Germany. However, they found that despite the differences in contents of codes, most ethical issues transcend national barriers (p. 532).

Similarly, Wood (2000) in a comparison of American, Australian and Canadian corporate codes of ethics found that Australian codes were not dramatically different in construction and content. However, he found that they focused on a more social view of corporate relations. Moreover, Wood found that the Australian codes were less reliant on internal and external watchdogs and legal representatives for guidance. Overall, the Australian codes, like the Canadian and American codes, were mainly concerned with self-preservation and protection of the organization.

In a recent comparison of Australian, Canadian and Swedish corporate codes of ethics, Singh et al. (2005) found the contents of the Australian and Canadian codes to be similar, with the Swedish codes being different in some areas: a reflection of the cultural differences between Sweden and the other two countries. Codes of 78 Australian, 80 Canadian and 39 Swedish corporations were content analyzed according to the categories developed by Mathews (1987) and amended by Lefebvre and Singh (1992) and Wood (2000). It was found that the Australian and Canadian codes were more prescriptive than those from Sweden as the intensity of codification for Canada and Australia was distinctly stronger than for Sweden (p. 106). A further finding of Singh et al. (2005) was that the Swedish codes were less regulatory as they mentioned enforcement procedures less than the American and Canadian codes.

While several studies have examined codes from single countries and have compared the contents of codes from two or more countries, some studies have analyzed the contents of the codes of multinational firms. Carasco and Singh (2003) analyzed the codes of 32 of the world's largest corporations and found that, consistent with several previous studies cited above, they were concerned with conduct both on behalf and against the firm, but concerns relating to the latter were more prominent. The Organization for Economic Cooperation and Development (OECD) Directorate for Financial, Fiscal and Enterprise Affairs (2001) studied 246 codes of OECD based corporations. Each code was evaluated on nine areas: environmental stewardship, labour standards, science and technology,

competition, information disclosure, taxation, bribery and corruption, and consumer protection. It was found that the codes addressed a variety of issues, with environmental management and labour standards being dominant. Consumer protection and bribery and corruption also received considerable attention. Many of the codes were found to address narrow questions of internal control and protection of shareholder value (p. 2).

Kaptein (2004) comprehensively analyzed 105 codes of the 200 largest firms in the world. He found that only 52.5% of the 200 largest firms in the world had codes. The contents of the codes were analyzed according to the following categories: stakeholder responsibilities, stakeholder principles, corporate values, internal employee conduct, and implementation and compliance. Each of these categories were composed of several items: stakeholder responsibilities (47 items, most frequently mentioned being "supplying sufficient/good etc. original products and services and offering good value by 67%); stakeholder principles (13 items, most frequently mentioned being transparency by 55%); corporate values (25 items, most frequently mentioned being teamwork, mutual support, interdependence/cooperation, team-spirit by 43%); internal conduct (40 items, most frequently mentioned being no conflicting sideline activities/conflict of interests by 52%); implementation and compliance (25% of the codes make reference to implementation and 52% indicate monitoring of code compliance). Three clusters of codes were identified: (1) the stakeholder statute/business principles (72%), (2) the values statement (49%) and (3) the code of conduct (46%).

While several studies have examined the contents of corporate codes of ethics some have examined the effectiveness of the codes, e.g., Schwartz (2001), Marnburg (2000). Despite mixed findings of research studies on the effectiveness of corporate codes of ethics in influencing behaviour, these codes can be valuable in corporate decision making and in conveying organizational values to stakeholders. Moreover, the research findings indicate that the establishment of a code is not enough: it must be supplemented by strict compliance measures and other ethics initiatives. For example, Hollinger International Inc., currently embroiled in a massive ethical scandal, in early 2003 had introduced an eloquent code of ethics to deter wrongdoing.

McClearn (2004) argues convincingly that "it's difficult to find a single provision within this fledgling code that has not been allegedly trampled or disregarded (p. 14)." Similarly, Sims and Brinkmann (2003) illustrate that the fault at Enron was not with its business ethics tools but with its corporate culture, which had significant effects on the ethics of its employees and consequently led to disaster.

The study

The purpose of this study was to analyze, according to a specific method, the contents of corporate codes of ethics in Canada and to compare the findings to a similar study done in 1992 by Lefebvre and Singh. The study sought to identify and compare the issues addressed in the codes of ethics of the top 500 Canadian corporations in 1992 and 2003.

The sample for the 2003 survey was drawn from the Summer 2001 edition of the Financial Post, which annually ranks the top 500 companies in Canada. A cover letter and questionnaire were mailed to the CEO or Chair of 490 corporations (contact information was not available for 10). The letter and cover page of the questionnaire briefly described the nature of the research, guaranteed the confidentiality of the information provided and requested a copy of the corporation's code of ethics. The questionnaire consisted of 31 questions related to ethics programs, the findings of which are reported elsewhere. Thirty packages were returned to sender as undeliverable. The 460 packages delivered elicited 140 responses (a response rate of 30.4%), 24 indicating various reasons for not participating in the study, 16 indicating that they did not have a code and 100 indicating that they have a code (80 sent codes; 75 sent codes in 1992). A total of 80 codes, representing a broad cross section of Canada's largest firms, were analyzed. A breakdown according to industry of the corporations whose codes were analyzed in this study is shown in Table I. The industry composition of the sample was highly correlated (Pearson Correlation=0.853 ; $p<0.01$) to that of the population, indicating no non-response bias on this variable.

The contents of the corporate codes of ethics were analyzed according to a scheme derived from Cressey and Moore (1983), Mathews (1998), Lefebvre and Singh (1992) and Wood (2000). Cressey

TABLE I

Corporations that sent their codes and population by industry

Industry	Sample	Population
Accommodation, Cafe or Restaurant	1	7
Agriculture, Forest or Fishing	4	32
Communication Services	6	29
Construction	2	11
Cultural or Recreational Services	2	8
Electricity, Gas or Water	4	50
Finance and/or Insurance	13	79
Health & Community Services	3	17
Manufacturing	18	110
Mining	6	20
Personal & Other Services	0	5
Property & Business Services	0	47
Retail Trade	6	33
Transport & Storage	4	18
Wholesale Trade	5	16
Other	3	8
Diverse Business Interests	3	10
Total	80	500

(Pearson Correlation=0.853; $p \leq 0.01$)

and Moore (1983) examined codes of ethics of 119 U.S. corporations along a number of criteria: (1) policy area (conduct on behalf of the firm, conduct against the firm, and integrity of books and records); (2) authority – precepts, trends, or principles that make a code seem ethical, morally necessary, or legitimate (p. 59); and (3) compliance procedures – the methods specified for monitoring, enforcing, sanctioning or otherwise ensuring compliance with the provisions of a code (p. 64). Mathews (1998) analyzed the codes of 202 of the most profitable American corporations using an extension of the Cressey and Moore technique. Content was classified as follows: (1) categories of behaviour and actions covered by the code, (2) enforcement procedures, and (3) penalties for non-compliance. These three broad categories contained a total of 64 items and each item was assessed as (1) not discussed, (2) discussed, (3) discussed in detail, and (4) emphasized. For the purposes of analysis, the 64 categories were grouped under and areas.

Lefebvre and Singh (1992) modified the Mathews technique for their study of Canadian corpora-

tions, which in turn was modified by Wood (2000) for his study of Australian corporations. Wood’s methodology did not assess the degree to which items were discussed in the codes but measured only the frequency of mention. He argues that the amount of space devoted to an item within the code may not necessarily correlate with the importance that the company attaches to it and that the space devoted to it may be a result of the difficulty of expressing the concept (p. 288).

The content analysis technique used in the current study is closest to Wood’s approach and includes 61 items, the modification reflecting the nature of the Canadian data. The contents of the codes were examined to determine if they included each of these 61 items and the results are reported as frequency of mention in Tables II–IX below. For example, in Table II, Item 1, 29% of the codes mentioned “Relations with Home Government” in 2003, down from 58.7% in 1992.

TABLE II

Conduct on behalf of the firm

	2003 <i>n</i> = 80 %	1992 <i>n</i> = 75 %
1. Relations with Home Gov’t	29	58.7**
2. Relations with customers/suppliers	80	77.4
3. Relations with employees-health, safety	54	48
4. Relations with competitors	45	29.3*
5. Relations with foreign gov’ts	18	22.7
6. Relations with investors	36	32
7. Civic and Community affairs	40	33.3
8. Relations with consumers	9	33.3**
9. Environmental affairs	48	21.3**
10. Product safety	16	12
11. Product quality	33	24
12. Payments or political contributions to gov’ts or gov’t officials or employees	46	72.7**
13. Acceptance of bribes, kickbacks, gift/ entertainment	79	82.7
14. Giving of bribes, kickbacks, gifts/entertainment	61	66.7
Average score:	42.4	43.9

(** $p \leq 0.01$; * $p \leq 0.05$)

TABLE III
Conduct against the firm

	2003 <i>n</i> =80 %	1992 <i>n</i> =75 %
15. Conflict of interest	85	95.3*
16. Divulging trade secrets/ proprietary information	81	81.3
17. Insider trading information	70	72
18. Personal character matters	25	50.7**
19. Other conduct against the firm	61	52
Average Score	64.4	70.3

(** $p \leq 0.01$; * $p \leq 0.05$)

TABLE IV
Integrity of books/records

	2003 <i>n</i> =80 %	1992 <i>n</i> =75 %
20. Integrity of books and records	64	82.7**

(** $p \leq 0.01$; * $p \leq 0.05$)

Content analysis results and discussion

The contents of the 80 Canadian corporate codes of ethics were comprehensively analyzed within 7 categories, reduced from the earlier outlined 10 broad categories used by Mathews (1998). The analysis was manually done by one person and randomly checked for accuracy by another. Moreover, the person analyzing the codes for the current study also independently analyzed 32 codes from an earlier study of transnational corporations (Carasco

TABLE V
Basis of code

	2003 <i>n</i> =80 %	1992 <i>n</i> =75 %
21. Legal responsibility	80	32**
22. Ethical responsibility	84	70.7*
Average score	82	51.4**

(** $p \leq 0.01$; * $p \leq 0.05$)

TABLE VI
Laws and agencies cited

	2003 <i>n</i> =80 %	1992 <i>n</i> =75 %
23. Competition Act	40	44
24. Securities	21	24
25. Environment	25	9.3**
26. Food and Drug	5	0*
27. Product safety & quality	1	0
28. Worker health/safety	23	9.3*
29. Bribes or payments to gov'ts or officials	20	14.7
30. False advertising	4	2.7
31. Other laws	56	12**
Average score	22	12.9
<i>Governmental agencies/ commissions referred to</i>		
32. Competition Tribunal	1	1.3
33. Other agencies	4	0
Average score	3	0.65

(** $p \leq 0.01$; * $p \leq 0.05$)

and Singh, 2003): the results were compared to the findings of Carasco and Singh (2003) and found to be consistent. Little or no difference was found in the classifications.

The frequencies of mention of the 61 items were computed for the Lefebvre and Singh (1992) study and together with the findings of the content analysis of the corporate codes of ethics in the current study are presented in Tables II–IX and discussed according to the seven categories. Z-tests for difference of proportions (two-tailed) were done for the 61 items (see Appendix A), comparing 1992 and 2003 findings (Zikmund, 1991, p. 508). In Tables II–IX, differences in proportions significant at the $p \leq 0.01$ level (critical Z-value of 2.57) are indicated by ** and those significant at the $p \leq .05$ level (critical Z-value of 1.96) by *.

Conduct on behalf of a firm

This category focuses on behaviour of employees when representing their organizations. It consists of 14 items ranging from interaction with governments to the giving and receiving of bribes. As shown in

TABLE VII

Types of compliance/enforcement procedures

	2003 n=80 %	1992 n=75 %
<i>Internal – Oversight</i>		
34. Supervisor surveillance	16	45.3**
35. Internal watchdog committee	9	9.3
36. Internal audits	5	34.7**
37. Read and understand affidavit	33	45.3
38. Routine financial budgetary review	0	1.3
39. Legal department review	0	9.3**
40. Other oversight procedures	14	18.7
<i>Internal – Personal Integrity (For questions re policy or reporting misconduct of self or others to)</i>		
41. Supervisor	69	69.3
42. Internal watchdog committee	4	0
43. Corporation’s legal counsel	49	44
44. Other (in firm)	64	46.7*
45. Compliance affidavits	0	34.7**
46. Employee integrity	58	44
47. Senior management role models	8	6.7
<i>External</i>		
48. Independent auditors	0	13.3**
49. Law enforcement	0	1.3
50. Other external	0	1.3
<i>Average score</i>		
51. Codes mentioning Enforcement or Compliance Proceedings	86	70.7*

(**p ≤ 0.01 ; *p ≤ 0.05)

Table II the average frequency of mention of this category in the codes was almost identical for 1992 and 2003: 42.4% and 43.9% respectively.

Similarly, the most frequently mentioned item in both years was “relations with customers/suppliers”: 80% in 2003 and 77.4% in 1992. However, there was a significant increase in the frequency of mention of “environmental affairs” in 2003 (48%) relative to 1992 (21.3%). This may be due to the increased emphasis in society on the role of business in protecting the environment. “Relations with competitors” also increased significantly, from 29.3% in 1992 to 45% in 2003. There were significant decreases in two items: “relations with consumers” from 33.3% to only 9% and “payments of political contributions to governments or government officials or employees” from 72.7% to 46%.

TABLE VIII

Penalties for breaching code

	2003 n=80 %	1992 n=75 %
<i>Internal</i>		
52. Reprimand	6	8
53. Fine	1	2.7
54. Demotion	1	5.3
55. Dismissal/Firing	58	46.7
56. Other internal penalty	9	26.7**
<i>External</i>		
57. Legal prosecution	33	14.7**
58. Other external penalty	6	4
<i>Average score</i>		
	16	15.4

(**p ≤ 0.01; *p ≤ 0.05)

It should also be noted that, on the issue of bribery, the 2003 codes mention the acceptance of bribes more often than the giving of bribes – a finding consistent with Lefebvre and Singh (1992), Wood (2000) and Carasco and Singh (2003).

Conduct against the firm

The category, “Conduct Against the Firm” is concerned with employee conduct that could directly harm the firm. This is measured by five items as shown in Table III.

TABLE IX

General information

	2003 n=80 %	1992 n=75 %
59. Need to maintain corporation’s good reputation	61	50.7
60. Letter/Introductory remarks from the President/CEO/Chairperson of the Board	46	57.3
61. Code specific to which country, i.e., Home Country, World/General, Others	23	50.7**
<i>Average score</i>		
	43	52.9

(**p ≤ 0.01; *p ≤ 0.05)

Issues related to conduct against the firm were, on average, covered slightly less frequently in 2003 than in 1992 (64.4% and 70.3% respectively). Mention of “conflict of interest” dropped from 95.3% in 1992 to 85% in 2003 (significant at the 0.05 level) while personal character matters fell from 50.7% to 25% (significant at the 0.01 level). Overall, in 2003, as in 1992, frequency of mention of the category “conduct against the firm” was higher than “conduct on behalf of the firm” (70.3–43.9% in 1992 and 64.4–42.4% in 2003). The focus of the codes on conduct against the firm may be interpreted as a reflection of the desire of organizations to guard against events that may have a dramatic, adverse impact on them. However, another interpretation may be that such intent is perhaps not ethically motivated based on the welfare of stakeholders but by mercenary values of self-preservation of the organization.

Integrity of books and records

This category was measured by one item (see Table IV) that indicates a significant decrease in frequency of mention from 82.7% in 1992 to 64% in 2003.

The higher frequencies of mention in 1992 may be linked to the influence of the focus of American corporate codes at that time. Many American codes were first developed or revised in response to extensive overseas bribery in the 1970’s, which was facilitated by corporations keeping two sets of books: one for auditors and one secret set that showed the amount of money given as bribes (Mathews, 1998, p. 54). Mathews in her study of American codes found a frequency of mention of 75.3% for this item.

This item was mentioned by 47% of the codes of transnational corporations studied by Carasco and Singh (2003). The value of conveying to employees the importance of accounting transparency and the use of true, accurate and complete information cannot be overemphasized. It would be interesting to see how recent revelations of lack of integrity of books and records at major corporations (e.g., Enron, WorldCom) will affect the way this item is considered by corporate codes of ethics in the future.

Basis of the code

This category consisted of two items – legal responsibility and ethical responsibility (see Table V). There was a dramatic increase (significant at the 0.01 level) in 2003 of the frequency of mention of legal responsibility as the basis of codes (80% vs. 32% in 1992) and a smaller increase (significant at the 0.05 level) in the frequency of mention of ethical responsibility from 70.7% in 1992 to 84% in 2003.

The codes were read to determine whether legal or ethical responsibility was cited as their basis. The findings indicate that these are not mutually exclusive items, i.e., codes could cite both legal and ethical bases. However, as Mathews (1998, p. 54) argues, “if the basis of the code is legal, it imitates the criminal law (law, criminal justice procedures, sanctions), but if it is ethical only, no legal apparatus, including sanctions, is called for (one doesn’t “enforce” the Golden Rule). This implies a different approach by codes citing legal responsibility and those citing ethical responsibility: those citing legal responsibility could be expected to be more precise in identifying unacceptable corporate behaviour and the consequences of such behaviour. Those mentioning both legal and ethical responsibility convey the message that while the codes may be based on ethical values, non-compliance with them could lead to sanctions against employees.

Laws and agencies cited

This category examined reference to specific laws and government agencies in the corporate codes (see Table VI).

The average frequency of mention of specific laws was 22% in 2003 compared to 12.9% in 1992. The Competition Act remains the law most often cited in the codes (40% compared to 44% in 1992). There were significant increases in references to environmental and worker health/safety laws: 9.3–25% (0.01 level) and 9.3–23% (0.05 level) respectively, likely reflecting greater concern in society with these issues. Carasco and Singh (2003) in their study of the codes of transnational corporations, consistent with the current study, found relatively high mention of competition, securities and environmental laws. Of all the categories

assessed in this study, “Government agencies/Commissions received the least mention. The average frequency of mention of items in “Governmental agencies/Commissions” was 3% for the Canadian Codes (see Table VI). This finding is consistent with Lefebvre and Singh (1992) when it was mentioned by less than 1% of the codes and also with Wood’s (2000) research on Australian codes (3.6%). Competition tribunal or equivalent agencies received mention in 1% of the Canadian codes while 4% mentioned other agencies. The overall low level of mention of this category is likely due to envisaged limited contact between rank and file employees and those agencies and commissions.

Compliance

Berenbeim (1999) argues that, “companies need to strengthen code Compliance/Verification procedures. Precatory words are insufficient weapons for effective action” (p. 139). Including in a code that which is acceptable and unacceptable employee behaviour without identifying methods for compliance/enforcement may not be enough: clearly specifying compliance/enforcement procedures and penalties for breaching provisions of the code are critical to code effectiveness. This section of the paper looks at two categories of items in the content analysis: Enforcement/Compliance Procedures (Table VII) and Penalties for Breaching Code (Table VIII).

The proportion of codes mentioning enforcement or compliance procedures increased from 70.7% in 1992 to 86% in 2003 (see Item 51, Table VII). This significant increase (at the 0.05 level) is a reflection of a strong effort to make the codes more effective and is consistent with findings of studies in other jurisdictions, e.g., Carasco and Singh (2003) found that 75% of the codes of transnational corporations mentioned enforcement or compliance procedures. These numbers are an encouraging sign of the codes not merely being window dressing but instruments of corporate governance, with which employees are expected to comply.

The internal-oversight section (Table VII), Items 34–40, includes individuals, groups and measures aimed at monitoring the behaviour of employees. Supervisor surveillance fell to 16% from 45.3% (significant at the 0.01 level) in 1992. While the

supervisor continues to be seen as pivotal to the internal oversight compliance procedures such reliance is not as widespread as in 1992. “Internal watchdog committee” received roughly the same level of mention in 2003 as in 1992 (9% and 9.3% respectively) while the percentage of codes mentioning “internal audits” dramatically fell to 5% from 34.7% (significant at the 0.01 level) in the same period. The decrease in the frequency of mention of internal audits is inexplicable as such audits of ethical practices could be an effective device in ensuring compliance, thereby becoming an important part or the control function in organizations. Affidavits stating that employees have read, and understood, the firm’s code of ethics was mentioned by 33% of the codes in 2003 compared to 45.3% in 1992. The second of the three segments in the category “Enforcement/Compliance Procedures” is “Internal-Personal Integrity” (Items 41–47). Employee integrity, as an internal measure to ensure compliance with the code of ethics was mentioned by 58% of the Canadian codes in 2003, up from 44% in 1992. According to Wood (2000), “employee integrity is basically a *nom de plume* for the expectation that individuals will engage in whistle blowing” (p. 294). An issue being addressed in this segment is that of to whom should one take questions regarding a policy or to report misconduct of self or others. The employee’s supervisor is identified most often as the person to whom one should direct questions about a policy or to report misconduct: 69% in 2003 and 69.3% in 1992. The second most often cited “official” in both 2003 and 1992 was “other”: 64% and 46.7%, respectively. This reflects the rise in positions such as “ethics officer” and “ombudsman”, officials directly charged with overseeing the codes. Another official of the firm receiving mention across the codes is the corporation’s legal counsel: 49% in 2003 vs. 44% in 1992. The clear message of the findings in this segment is that reliance on personal integrity as a means of ensuring compliance with codes has increased over the past decade and that the supervisor continues to be the primary official to whom an employee takes his/her concerns. External compliance/enforcement procedures (independent auditors, law enforcement, other external) were not mentioned in any of the codes in 2003: in 1992, 13.3% mentioned “independent auditors” (decrease significant at the 0.01

level), 1.3% “law enforcement” and 1.3% “other external.” The lack of mention of “external compliance/enforcement procedures” in all of the codes in 2003 and scant mention in 1992 is significant: it is a strong indication of firms’ desire for direct control of compliance procedures. However, this is an area that may receive attention in the future as stakeholders may be more inclined to have faith in ethics programs which are independently audited. The second aspect of compliance is “Penalties for Breaching Code” (see Table VIII). The internal measure most often cited in both 2003 and 1992 was dismissal/firing: 58% and 46.7%, respectively. “Reprimand” was mentioned by 6% of the codes in 2003 and 8% in 1992. The increase in the frequency of mention of “dismissal/firing” clearly signals the growing importance companies attach to the codes of ethics. This is further illustrated by the significant increase in frequency to 33% in 2003 of mention of legal prosecution as an external penalty for breaching codes from 14.7% in 1992.

General information

The General Information category consisted of Items 59–61 (Table IX): Item 59 examined statements in the codes expressing the need to maintain the corporation’s good reputation; Item 60 identified whether or not the code included introductory remarks from a senior executive (President, CEO, Chair of the Board) and Item 61 the jurisdiction at which the code is aimed.

The need to maintain the corporation’s good reputation was mentioned by 61% of the codes in 2003 and 50.7% in 1992. Carasco and Singh (2003) in their study of the codes of ethics of transnational corporations found a 76% mention of this item. The relatively high rate of mention of this item both in the 2003 and 1992 studies is indicative of the significance corporations attach to a good public image. However, it also raises the issue of why almost half of the codes in 1992 and 39% in 2003 did not mention the importance of maintaining the corporation’s good reputation, one of the most important functions of corporate codes of ethics. Only 46% of the codes in 2003, down from 57.3% in 1992, were accompanied by an introductory letter or introductory remarks by the President, CEO, or Chair of the

Board. Such a statement indicates that the code has received the attention of top management and it is to be taken seriously by all in the corporation. In light of evidence of the growing importance of corporate codes of ethics, the increase in the proportion of codes excluding such a letter or remarks is inexplicable. The final item in this category indicates that codes specifying jurisdiction fell significantly (0.01 level) from 50.7% in 1992 to 23% in 2003. This is possibly driven by the multinational corporations in the sample and is a reflection of the internationalization of the codes, made possible by communication technologies and a desire to unify the global operations of corporations. Carasco and Singh (2003), in their study of the codes of the world’s largest transnational corporations found that 94% of the codes were geared at the worldwide operations of those transnationals and were not country specific.

Conclusion

Globalization of markets, according to Berenbeim (2000), is one of the forces influencing changes in corporate codes of ethics. As mentioned above there was a significant drop from 1992 to 2003 in the proportion of corporations specifying jurisdiction. Another of the forces driving changes in codes of ethics is the growing acceptance of them as a part of corporate governance. This is best illustrated by the findings on the basis of the code as shown in Table V. There were significant increases from 1992 to 2003 in the proportion of codes citing legal responsibility and ethical responsibility: 32–80% and 70.7–84% respectively. While legal and ethical responsibility portray different attitudes to the use of the codes, they both address the issue of how an organization is governed and the increase in the frequencies of mention of these items in the codes, coupled with the involvement of senior managers in their development, signal a growing acceptance of the codes as instruments of corporate governance. Singh (unpublished manuscript), in a study of ethics programs in Canada’s largest corporations found that senior managers were involved in the development of 88% of them. A third driver of changes in corporate codes of ethics is the improved ethical literacy of senior managers as illustrated by the increased sophistication of these documents. Again, the findings on the increased mention

of the bases of the codes (see Table V) may serve to illustrate this point. In addition to identifying acceptable and unacceptable behaviour, these documents increasingly identify the overarching principles governing their development.

These overarching principles are part of a theoretical framework, which views ethical standards in organizations as determined by a triadic interaction of organizational, institutional and personal factors, under the influence of social values (see Figure 1). This study investigated the contents of corporate codes of ethics as organizational factors in this framework. In order to determine and compare the contents of the codes of ethics of Canadian corporations in 2003 and 1992 a modified version of a technique used in several studies (Carasco and Singh (2003; Cressey and Moore, 1983; Lefebvre and Singh, 1992; Wood, 2000) was applied to a total of 80 codes in 2003 and the findings compared to those of a similar study conducted by Lefebvre and Singh in 1992. The results of the analysis shown in Tables II–IX, compare frequencies of mention on 61 items for codes from the two studies. It was found that in 2003, as in 1992, more of the codes were concerned with conduct against the firm than with conduct on behalf of the firm. However, under “conduct on behalf of the firm” there was more than a doubling of frequency of mention of environmental affairs. Similarly, there was a significant increase, to 25% in 2003 from 9.3% in 1992, of references to environmental laws. Further, there was a significant increase in 2003, from 32% to 80%, in the frequency of mention of legal responsibility as the basis of codes. Moreover, the proportion of codes mentioning enforcement or compliance procedures increased significantly from 1992 to 2003, reflecting a determined effort to make the codes more effective. In the same vein, the frequency of mention of the most often cited internal penalty for non-compliance with the code for both years, “dismissal/firing”, rose from 46.7% in 1992 to 58% in 2003.

All in all, this paper advances the search for an explanation of business ethics standards and conduct by analyzing the evolution of the contents of the important antecedent organizational factor, corporate codes of ethics, from 1992 to 2003 in Canada. Analysis of the evolution of code contents is critical to understanding the dynamic nature of business

ethics. As social values change, so do institutional factors, personal factors and organizational factors, resulting in changing ethical standards (see Figure 1). Examining changes in the contents of codes could therefore be used to ascertain whether corporate codes of ethics reflect a changing environment. If they do not, then legitimate questions may be asked about their true function: symbolic or to guarantee ethical behaviour. “If the espoused reason for a code is to guarantee ethical behaviour, but no actions are taken within the organization of a sort necessary to foster code compliance (e.g., no monitoring, no enforcement), we may have evidence that the code is implemented for purely symbolic reasons (Weaver, 1993, p. 50). There is evidence from the current study suggesting that the function of Canadian corporate codes of ethics has moved closer to guaranteeing ethical behaviour. The proportion of codes mentioning enforcement or compliance proceedings (see Item 51, Table VII) increased from 70.7% in 1992 to 86% in 2003.

Of course, the mere mention of enforcement/compliance proceedings does not guarantee ethical behaviour. There is a multitude of other variables that determine the effectiveness of codes and this is an area that is in dire need of further research.

Do corporate codes have an impact on employees’ behaviour? To date, research has returned mixed findings. If codes can be effective, what role do the contents of the codes play in making them so? As White and Montgomery (1980) argue, “if codes are to serve as more than documentary window dressing and play a constructive role in encouraging ethical practices by corporate employees, much remains to be learned about designing and administering them (p. 86).

How can we learn more about the formulation and implementation of corporate codes of ethics? In depth, semi-structured interviews with ethics officers and other officials involved in the development of codes is one way to do so. Such interviews will enable researchers to determine the genesis of codes and thus better understand their intended function. Valuable information, not discernible from the contents of codes, will be obtained in such interviews. This information will supplement our knowledge of the contents of codes and help in the quest to better understand the role of codes of ethics as instruments of corporate governance.

APPENDIX

Appendix A. Z scores for content analysis items

Item	2003 <i>P</i>	1992 <i>P</i>	Z-Score	Significance level
1	0.29	0.587	-3.728611194	**
2	0.8	0.774	0.395383208	
3	0.54	0.48	0.746784905	
4	0.45	0.293	2.018733185	*
5	0.18	0.227	-0.72733817	
6	0.36	0.32	0.525120601	
7	0.4	0.333	0.864580995	
8	0.09	0.333	-3.727735449	**
9	0.48	0.213	3.480968986	**
10	0.16	0.12	0.715848479	
11	0.33	0.24	1.238553968	
12	0.46	0.727	-3.376551813	**
13	0.79	0.827	-0.584348311	
14	0.61	0.667	-0.737753669	
15	0.85	0.953	-2.134591175	*
16	0.81	0.813	-0.047718667	
17	0.7	0.72	-0.274137767	
18	0.25	0.507	-3.303977864	**
19	0.61	0.52	1.12993143	
20	0.64	0.827	-2.622126785	**
21	0.8	0.32	6.028426555	**
22	0.84	0.707	1.983636784	*
23	0.4	0.44	-0.504340138	
24	0.21	0.24	-0.447322634	
25	0.25	0.093	2.576398323	**
26	0.05	0	1.961972922	*
27	0.01	0	0.868268997	
28	0.23	0.093	2.303640108	*
29	0.2	0.147	0.86910435	
30	0.04	0.027	0.44814857	
31	0.56	0.12	5.750594659	**
32	0.01	0.013	-0.175427929	
33	0.04	0	1.750211732	
34	0.16	0.453	-3.971352155	**
35	0.09	0.093	-0.064753212	
36	0.05	0.347	-4.675680669	**
37	0.33	0.453	-1.569332857	
38	0	0.013	-1.023026562	
39	0	0.093	-2.791160317	**
40	0.14	0.187	-0.792187939	
41	0.69	0.693	-0.040409967	
42	0.04	0	1.750211732	
43	0.49	0.44	0.623631023	
44	0.64	0.467	2.16648495	*
45	0	0.347	-5.775941842	**

Appendix A. (Continued).

Item	2003 <i>P</i>	1992 <i>P</i>	Z-Score	Significance level
46	0.58	0.44	1.742602613	
47	0.08	0.067	0.309540379	
48	0	0.133	-3.372214768	**
49	0	0.013	-1.023026562	
50	0	0.013	-1.023026562	
51	0.86	0.707	2.320914968	*
52	0.06	0.08	-0.488738962	
53	0.01	0.027	-0.79069595	
54	0.01	0.053	-1.548289382	
55	0.58	0.467	1.407913258	
56	0.09	0.267	-2.894062138	**
57	0.33	0.147	2.660444269	**
58	0.06	0.04	0.569207041	
59	0.61	0.507	1.291051985	
60	0.46	0.573	-1.406712715	
61	0.23	0.507	-3.581806057	**

* $p \leq 0.05$; ** $p \leq 0.01$

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