

Ethical Codes of Conduct in Irish Companies: A Survey of Code Content and Enforcement Procedures

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ABSTRACT. This paper reports on an investigation of issues surrounding the use of ethical codes/codes of conduct in Irish based companies. Using a comprehensive questionnaire survey, the paper examines the incidence, content and enforcement of codes of conduct among a

sample of the top 1000 companies based in Ireland. The main findings indicate that the overall usage of codes of conduct amongst indigenous Irish companies has increased significantly from 1995 to 2000. However, in line with prior research, these codes focus primarily on issues surrounding company and employee protection as opposed to society protection. Almost half of all codes are written by company personnel or provided by head office. Revisions of codes are common but formal ongoing methods of instructing new staff about codes are not prevalent. Less than one-third of companies with codes have formal channels for reporting violations but a high percentage have formal disciplinary procedures in place for breaches of codes.

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Introduction

Since the mid-1990s concerns about the ethics of business leaders in Ireland have become particularly pronounced. Despite the prevalence of these concerns and evidence of consumer disquiet (Business in the Community Ireland, 2003; Stokes et al., 2003), there has been little systematic academic investigation of matters surrounding business ethics and corporate social responsibility in Ireland (O'Dwyer, 2003; Roche, 2003). However, recent research by Stohs and Brannick (1996, 1999), Murphy (1994, 1995), Alderson and Kakabadse (1994) and O'Dwyer (2003) has finally initiated the process of redressing this gap. Our objective in this paper is to contribute to this emerging research agenda by initiating a systematic process of investigation of issues surrounding the use of ethical codes/codes of

conduct in Irish companies.¹ Specifically, using a comprehensive questionnaire survey, we examine the incidence, content and enforcement of codes of conduct among a sample of the top 1000 companies based in this context.

Codes of conduct, ethical codes, or guidelines for behaviour appear to be a clearly visible sign that an organisation is aware of the need for ethical behaviour and requires a commitment to such behaviour from its workforce. Diverse views exist, however, as to what exactly constitutes a code of ethics (Farrell et al., 2002). Weaver (1993) notes that business ethics research tends to conceptualise them as “*distinct, formal documents specifying self-consciously ethical constraints on the conduct of organizational life*” (p. 45, emphasis added). This definition perceives ethical codes as constituting separately issued stand alone documents (Stevens, 1994; Weaver, 1993) not forming part of “presumably amoral” policy manuals. Whatever their exact conception, these codes have proliferated globally and extended from their initial appearance in large US companies (Carasco and Singh, 2003; Center for Business Ethics, 1992; Cressey and Moore, 1983; Farrell et al., 2002; Mathews, 1987; Robin et al., 1989; Weaver et al., 1999) to other parts of the world (see, for example, Arthur Andersen and London Business School, 1999; Lefebvre and Singh, 1992; Nijhof et al., 2003; Ryan, 1994; Schlegelmilch and Houston, 1989; Schwartz, 2002; Snell et al., 1999; Wood, 2000). Given that codes of ethics are frequently referred to in the academic literature as merely the first step in implementing ethics awareness in an organisation (McDonald, 1999; Trevino and Nelson, 1995) we wish to discover, in the context of a more ethically challenged business environment in Ireland, the extent of this ‘first step’ among companies operating there.

The remainder of the paper is organised as follows: The following section provides some contextual background and refers to prior research on ethical codes among Irish companies. This is succeeded with a brief review of recent literature on codes of ethics content and enforcement. The research method employed is then outlined. The findings are subsequently presented and the paper concludes with some discussion of these findings and concluding comments.

The Irish context

An unprecedented critical spotlight has recently been placed on responsible/ethical business behaviour in Ireland (O’Toole, 1999; Report of the Review Group on Auditing, 2000; Roche, 2003; Stokes et al., 2003; The Irish Times, 1999, 1998). Consequently, we wish to examine if companies operating there are taking initial steps to raise ethical awareness in their organisations. In a recent Irish study, Stohs and Brannick (1999) discovered that, despite Irish managers apparently giving significantly greater importance to public concerns about ethical standards (Alderson and Kakabadse, 1994) only 22% of a 1994 sample of indigenous Irish owned companies possessed codes of ethics. These codes were primarily written in relation to company needs or based upon professional or industrial standards of behaviour. The authors expressed dismay at this low percentage relative to other countries such as the United States. They concluded that Irish managers seemed reluctant to use formal ethics codes and only relied on them in relation to issues surrounding fair business practice. Murphy’s (1995) interviews with eight Irish managing directors concurred with this, revealing that those without codes believed that formal statements were not a means by which ethical values could be inculcated in employees. Stohs and Brannick (1999) felt that this led to the risk of arbitrary and inconsistent decision making. Their study did not, however, focus on the detailed content of ethical codes or on issues surrounding their implementation/enforcement.

Our aim is to develop the work of Stohs and Brannick (1999) and instigate greater consideration of business ethics and, in particular, the promotion of codes of ethics in the Irish context. Our specific research objectives are two fold:

1. To examine the incidence and content of codes of ethics/conduct among companies operating in Ireland.
2. To examine aspects of their enforcement in these companies.²

Code of ethics content – the predominance of firm protection

Numerous studies have examined both the incidence and detailed contents of codes of ethics (Farrell et al.,

2002; Lefebvre and Singh, 1992; Weaver, 1993). Some studies examining code content cluster the content categories according to distinct groupings (see, Stohs and Brannick, 1999; Robin et al., 1989). In Ireland, Stohs and Brannick (1999) developed three ethical categories or clusters in order to summarise the issues often incorporated into ethics codes (see, Frederick et al., 1988; Weaver, 1993). These clusters encompassed: (1) issues impacting primarily on employees; (2) issues impacting primarily on companies; and (3) issues impacting primarily on the wider society. Their study of Irish managers' attitudes concluded that in firms where codes of ethics existed they were mainly concerned with 'issues impacting primarily on companies'.

This 'firm protection' focus in ethical codes is consistent with research in other contexts. For example, a 1992 study of codes of ethics in leading Canadian corporations found that although some codes referred to broader issues surrounding social responsibility, they were mainly concerned with protecting the firm (Lefebvre and Singh 1992). In terms of code content, Weaver (1993) suggests that issues of internal company focus such as employee rights receive more attention than issues regarding company relations with other parties or society. He contends that this may be due to the greater ease of control over internal issues and states that even when external issues are addressed they focus more on tangible impacts such as environmental issues or charitable work than on the intangible effects such as on families and communities. When examining 202 US corporate codes Mathews (1987) also concluded that issues related to conduct against a company were more frequently addressed than conduct affecting consumers and the general public. These findings imply that code content may be reflective of a desire to protect the firm's interests rather than those of employees or the wider society (see also, Snell et al., 1999). Hence, it is perhaps unsurprising to discover that Cressey and Moore (1983) and Robin et al. (1989) indicate that most codes of ethics tend to be quite legalistic, dictating rules or procedures that prohibit or demand specific behaviour with broader shared values being almost totally absent (Farrell et al., 2002; Cressey and Moore, 1983, see also Wood, 2000). The legalistic nature of early US codes may have been heavily influenced the passage of the Foreign Corrupt Practices Act (FCPA) in 1977.

Beyond symbolism – implementing/enforcing codes of ethics

Many scholars view ethics codes as having minimal impact on ethical behaviour within organisations with Marnburg (2000, p. 208) claiming that "it does not really matter whether they exist or not" (see also, Kjonstad and Willmott, 1995; Sims, 1991; Sims and Brinkmann, 2003). Weaver et al. (1999, p. 283) view them as "the lower cost, probably more symbolic side of ethics activity", while Weaver (1993, p. 55) claims that "research should not naively assume that firms invoke codes for morally proper reasons". Hence, while corporate codes of ethics have become fashionable for most large corporations (Sethi, 1999), their mere existence is not necessarily reflective of the active implementation of ethics practices within companies (Cressey and Moore, 1983; Mathews, 1987; Nijhof et al., 2003; Schwartz, 2001; Sims and Brinkmann, 2003). It is therefore necessary to distinguish between the espoused and operative functions of these codes (Weaver, 1993). Ethics codes can, for example, be used to legitimate a company and its operations by identifying it with stakeholder ideals, thus reflecting a form of symbolic management process (Pfeffer, 1981; Marnburg, 2000; Weaver, 1993). However, this form of symbolism is only possible if people do not distinguish symbolism from reality. Sethi (1999) believes this distinction is often made as many of these codes are treated with disdain and are largely dismissed by various stakeholder group leaders, as well as by outside analysts and the wider society. For this reason, he believes they often fail to fulfil even their limited role as a symbolic reassurance mechanism to investors that a company will not face unexpected fines or penalties for breaches of the law, or payouts to employees taking legal action against the company (Blodgett and Carlson, 1997; Trevino and Nelson, 1995).

In their study of Canadian companies, Lindsay et al. (1996) concluded that while many companies were using codes of conduct, large numbers of them were merely paying lip service to the notion of encouraging ethical behaviour (see also Badaracco and Webb, 1995). Likewise, Weaver et al. (1999), in a study of Fortune 1000 companies, found a high degree of corporate adoption of ethics codes and policies but a wide variability in the extent to which these policies were implemented by various supporting

structures and managerial activities. Efforts to actively implement these codes and policies into practice, which require multiple organisational supports (Weaver, 1993), were generally deemed to be lacking.

These primarily negative perspectives on code functions are, according to Brinkmann and Ims (2003), overly generalistic and ignore considering the *conditions* “which determine *if* or to *what degree* a code has positive or negative functions or (most likely) a mix of both” (Brinkmann and Ims, 2003, p. 268, emphasis in original). The moral climate of an industry, which they discuss in depth, may also be a *condition* impacting on how a code functions. In fact, codes may actually operate to improve the moral climate. The authors bring some balance to the debate on the operation and functions of codes by outlining a number of intended and positive functions of codes alongside some latent and negative ones. The latter include the possibility of codes functioning as window dressing and lip service devices alluded to above. However, in defence of codes, they indicate how they may be viewed as having the potential to increase individual moral awareness and behaviours as well as assisting in recognising and resolving moral conflicts.

Characteristics enhancing enforcement/implementation

Given the question marks over the active enforcement of codes outlined above, we examine a number of factors that influence the effective implementation of ethics codes. The factors we consider encompass: the method of composing codes; the method of introducing codes to employees; the extent of code revision; the procedures in place for seeking advice or reporting violations (Weaver et al., 1999); and disciplinary procedures in place for breaching codes (Mathews, 1987).³ We proceed to briefly consider each of these in turn.

Method of code creation and introduction to employees

An Arthur Andersen/London Business School study (1999) found that in most UK organisations there was little involvement by internal personnel in the development of ethical codes, which, the report

suggests, “can result in products which are out of touch with reality, and create a negative impact as a result of cynicism” (p. 10). Low levels of involvement of line managers in the development of codes was seen as a lost opportunity in terms of raising awareness amongst those who really know what is happening in the organisation. Furthermore, Weaver (1993) claims that where codes are created with exclusive senior executive involvement, this may cause lower level employees to have their procedural justice expectations violated while Farrell and Farrell (1998) indicate that the prevalence of code composition by senior management, which Stohs and Brannick (1999) also found persisted in the Irish context, reduces the sense of ownership felt by lower level employees and the likelihood that employee concerns will be addressed. Trevino et al. (1999) and Farrell and Farrell (1998) also criticise the effectiveness of these ‘customised’ codes.

Revision of codes

The extent to which codes are revised is also indicative of the degree of active, serious attention given to an ethical code within an organisation. If codes are formulated and then never or rarely revisited they risk being marginalised in everyday company affairs (see Le Jeune and Webley, 1998; Weaver, 1993; Weaver et al., 1999).

Procedures for seeking advice or reporting violations

With growing empowerment of staff and less supervision, senior managers must depend further on their employees, who are more likely to be aware of colleagues’ misconduct, to report problems. Trevino and Victor (1992, p. 38) point to employees who are willing to monitor the behaviour of, and report misconduct by their peers as “an important supplemental control resource for organizations”. Therefore, there is growing pressure on managers to create scenarios in which whistleblowers are protected, both to ensure misconduct is reported early and to prevent expensive compensation claims by employees driven out of organisations.

If employees do not have channels through which they can report suspected violations and seek

guidance on issues that concern them, then ethical codes are unlikely to be enforced. The Turnbull guidance (1999, p. 14) recommends that there should be, “established channels of communication for individuals to report suspected breaches of laws or regulations or other improprieties”. A survey of UK companies possessing codes found that 70% of them had a whistleblowing procedure (Le Jeune and Webley, 1998). The study of UK companies by Arthur Andersen and London Business School (1999) discovered that the most common reporting channels employed by companies for the reporting of violations or seeking of advice were through supervisors and departmental managers (67%) or through HR/Compliance/Legal departments (59%). Blodgett and Carlson (1997, p. 1367) criticise supervisors as the first choice for advice or reporting problems to as they claim that supervisors are “persons well known to be the source of many ethical dilemmas”. The Arthur Andersen and London Business School research found that helplines for seeking guidance were available in over 45% of respondents’ organisations and hotlines for reporting suspected violations in 39%. However, of those companies with helplines or hotlines, 60% reported no usage of these facilities.

Weaver et al. (1999) discovered that, in 1995, 51% of American firms had a telephone-based procedure for employees to request advice or report breaches. Although in light of the possible retribution for reporting misconduct, one might think that employees would be more likely to use hotlines manned by disinterested personnel, the findings of Trevino et al. (1999) did not support this. They concluded that it was preferable to keep activities related to reporting and investigation in-house as this more clearly demonstrated a willingness to deal with these matters. They also contended that a well-implemented programme would result in more calls seeking guidance rather than those reporting violations, and that in such cases a company insider was better equipped to deal with dispensing advice. They also found that employees were less inclined to use the telephone lines if they perceived them, along with other ethics initiatives, to be fulfilling a policing role.

Disciplinary procedures

Ethics codes are unlikely to be living documents within a company unless there are sanctions applied

when violations are discovered. Wiley (1995, p. 25) regards enforceability as a key characteristic of codes of conduct and states:

When unethical actions are not dealt with, word spreads that the organisation is not really interested in ethics. In some cases, a demotion, rather than firing, may be sufficient to make this point.

Trevino et al. (1999, p. 139) support this view and note that “discipline for violators serves an important symbolic role in organisations...and maintains the perception that the organization is a just place where wrongdoers are held accountable for their actions.” They found that follow-through on the part of company management to detect breaches of the ethical code and punish the violators was an important factor in ensuring effectiveness. The survey of American employers and employees by the Society of Financial Service Professionals and Walker Inc. (2000) found that most employers and employees felt termination was justified if a staff member violated the company’s code of ethics, even if the behaviour in question was not strictly illegal.

Method

A questionnaire survey was designed to examine the incidence and content of codes of conduct among companies operating in Ireland as well as aspects of their enforcement. The population studied comprised the top 1000 companies in Ireland using the *Business and Finance* magazine Top 1000 list for 2000. Due to the relatively small size of Ireland, even the top 1000 companies include some relatively small organisations by international standards. For example, the turnover in the companies surveyed ranged from under 4 million Irish pounds to just over 5 billion Irish pounds. Within the main sectors analysed this wide range persisted. For example, in the technology sector turnover ranged from 5 million pounds to 4 billion pounds. A small cluster of multinational companies such as Microsoft and Intel dominate the upper part of this range. In the manufacturing sector, the range was from 11 million pounds to 5 billion pounds. The range in assets in the financial services sector was from 75 million

pounds to almost 53 billion pounds. Average assets came to 3 billion Irish pounds with a cluster of around 10% of these companies having assets of more than 5 billion pounds. Most other studies examining company adoption of codes of ethics have also used top company lists as their sample. For example, Robin et al. (1989) in the USA used the *Business Week* 1000 companies, Weaver et al. (1999) used the *Fortune 1000* and Arthur Andersen/London Business School (1999) used the FTSE 350 and non-quoted companies of equivalent size.

The confidential questionnaire addressed three key areas: 1. the existence of a code of conduct 2. the issues addressed by the code of conduct where it existed and 3. implementation/enforcement mechanisms in place to support the code (see Appendix 1). The first two questions aimed to classify the company's industry sector and ascertain if the company was a branch of a multinational. Respondents were then asked if their company had a code of conduct or not. If the answer was 'No', they were directed to move on to specific questions at the end of the questionnaire. These questions asked whether they were considering the introduction of a code, if there were any specific reasons for not having a code and if they had any formal procedures for staff to seek advice relating to standards of behaviour or to report illegal behaviour. This was undertaken in order to elicit information about companies that did not have codes in place and provided a reason for those companies to participate in the survey.

If respondents answered that they had a code of conduct, they were asked a series of questions relating to the length of time it had been in place, whether it had been changed since introduction, how it was originally designed and the topics included in the code. The question relating to the content of the code listed a number of topics that could be checked off by the respondent. These were formulated from a review of the relevant literature and from an analysis of a number of company codes that were made available to us during our preparation for the research. Respondents were given the option of adding any other subjects that may have been included in their code but did not appear on the list. They were also asked about formal procedures for staff to seek advice and make suggestions about code content, procedures to report violations

and disciplinary procedures. All respondents, regardless of whether they had a code in place or not were invited to include any other comments related to codes of conduct at the end of the questionnaire. As well as providing extra information, this aimed to ensure that all respondents finished the questionnaire at the point where the instructions about returning the completed questionnaire were reiterated.⁴

Prior to formulating the questionnaire, one of the authors spoke to a number of Human Resources managers to ascertain how they would react to questionnaires about their company codes of conduct. Due to the degree of resistance expressed by these managers, respondents were not required to give their company's name and size and were guaranteed that we would not track their identity, hence ensuring complete confidentiality. This imposed a limitation on the research in that we could not determine what influence the size of a company might have on the existence, content and enforcement of codes of conduct among sampled companies.

Having compiled a draft questionnaire and a covering letter, these were pilot tested among ten individuals who worked in the field of Human Resources, Public Relations and Market Research. They were asked to attempt to complete the questionnaire and feedback any difficulties in doing so such as problems interpreting the questions, difficulties with the format or other views about what should be changed to encourage a response. Their comments were taken into account in the formulation of the final questionnaire and letter. The reformatted survey was sent to them again for approval. In an effort to weed out self selection bias, the cover letter stated that it was important for companies that did not have a code of conduct to respond as their views were extremely valuable. All questionnaire surveys were sent to Human Resources Directors, Managing Directors and Chief Executive Officers in July 2000.

Some 142 completed questionnaires were returned yielding a 14.2% response rate. All of these responses were usable. Five companies declined to participate, three surveys were returned by post in business reply envelopes after analysis was completed and no response was received from the remaining companies. Since the *Business & Finance* Top 1000 list is so easily accessible, it is also likely

that the listed companies are over-surveyed making their executives less amenable to completing questionnaires. While the response rate to the survey is low, it is similar to the Arthur Andersen/London Business School (1999) study which received a response rate of 12% in their survey on the prevalence of business codes among the FTSE 350 UK companies. Furthermore, KPMG South Africa (2002) received a 16% response rate to a much broader survey encompassing code prevalence among 1026 public and private organizations while Nakano (1997), in a survey of business managers examining the prevalence of business codes among 2199 companies, received a response rate of 7.2%. While we cannot claim to have definitively addressed *all* the codes of conduct that exist in the Irish context, the responses do enable us to report on the content of 100 codes. This absolute number compares favourably with prior studies. For example, Wood (2000) analysed the content of 83 of the top 500 companies in the Australian private sector, Lefebvre and Singh (1992) reported on the content of 75 codes in Canada, Farrell and Cobbin (1996) examined 95 Australian codes, Cressey and Moore (1983) examined 119 US codes and Schlegelmilch and Houston (1989) examined 31 UK codes. We recognise that many of these studies analysed the codes directly but given the initial resistance to our study among human resources managers and our desire to increase our response rate, we decided against this form of analysis.

Given we did not have any knowledge of the size of the respondent companies, we could not test for non response bias by comparing various measures of size between respondents and non respondents (see Weaver et al., 1999). We did, however, compare a breakdown of the industry sectors provided in the surveys to an industry sector breakdown of the top 1000 companies in order to ensure that the respondents were not heavily weighted in favour of any particular group of industries. We found the response mirrored the spread of the sample closely apart from some under representation in Construction and Business Services. Of the 142 companies that responded, 85 were subsidiaries of multinationals and 57 were non-multinational companies. This response split at 60% multinational and 40% non-multinational is close to representative of the Top 1000 make-up.

Business ethics research has to be cognisant of social desirability biases in data collection (Fernandes and Randall, 1992; Weaver et al., 1999). Our questionnaire focused primarily on the existence of ethical codes, their content, and the implementation/enforcement mechanisms in place to support them. There was little of the interpretive license that comes with asking questions concerning personal actions with ethical implications. The relatively objective nature of the questions and the fact that companies were asked only to report on formal mechanisms in place and not on ethical issues confronting them should have reduced the social desirability bias in the responses received (see, Weaver et al., 1999).

Findings

Incidence of adoption of codes of conduct

One hundred of the 142 respondents possessed some form of code of conduct, a rate of just over 70%. About 63% of non-multinational companies and 75% of multinationals stated that they had a code. As Weaver (1993) indicates, some of the companies did not have just one document but various documents covering different aspects of common code of conduct contents. In order to establish if the rate of adoption of codes has increased dramatically in the last few years, we analysed the length of time that codes had been in place (see Figure 1). About 5% of respondents had codes in place for less than a year. Twenty-seven per cent were in place for between 1 and 3 years, 20% for 4–5 years and 23% for between 6 and 10 years. About 25% of respondents said that they had implemented codes of conduct in their organisations more than 10 years ago.

Multinational companies had codes in place longer than non-multinational companies. About 71% of companies with codes in place for between 5 and 10 years were multinationals, while these companies represented 76% of those with codes for over 10 years. Hence, indigenous Irish companies have begun implementing codes more recently. There were no industry sector trends discernible with regard to the length of time codes had been in place. In terms of certain industry sectors being more likely to implement codes, all 16 respondent financial

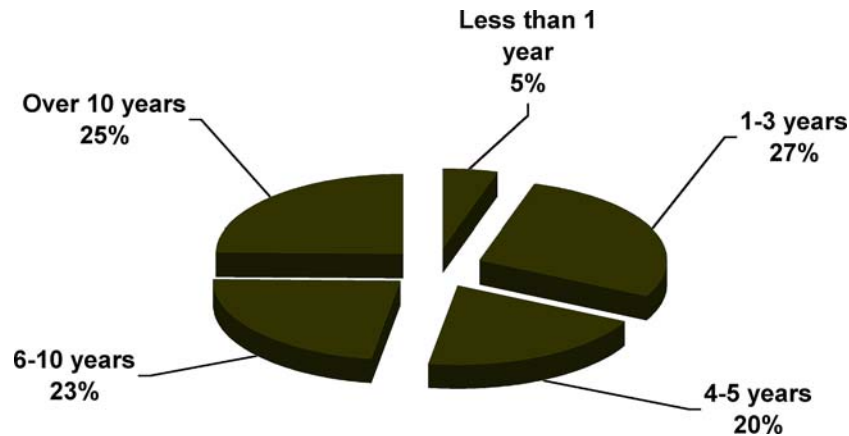


Figure 1. Length of time code of conduct is in place.

services companies indicated that they possessed codes of conduct.

Companies considering code adoption

The 42 companies without a code were asked if they were considering the introduction of one. Ten were and 32 were not, but when asked if there were specific reasons for not having a code, only 12 of them indicated that specific reasons existed. In eight cases, this was because they felt the small size of their companies did not justify the introduction of a code, two felt that the risks they were exposed to did not justify one and two answered that they were covered by a code of professional conduct. Of these 12 companies, only nine were amongst those who said they were not thinking of introducing a code. This indicates that only 28% of companies without a code have an explicit reason for not having one.

Content of codes of conduct

The most frequently cited topics in codes of conduct related to employee confidentiality and health and safety which were each included in the codes of 82 companies (see Table I). The protection of company information featured in 80 codes and adherence to the law appeared in 79. Differences were noted in code content between multinational companies and indigenous companies. There was a greater incidence in multinational companies of all topics other

than Dress code and Employee confidentiality. The greater incidence of matters relating to employee confidentiality in Irish companies may be linked to the relatively small size of Ireland's population, which makes confidentiality both more difficult, and more likely to cause problems if breached.

Multinational companies were also much more likely than indigenous Irish companies to have included reference to environmental issues and the impact of the organisation on society. Issues relating to substance abuse, equal opportunities and racial and religious harassment also occurred more frequently in the codes of multinational companies.

As indicated earlier, prior research on codes of conduct has broadly clustered the topics (Robin et al., 1989; Stohs and Brannick 1999; Weaver, 1993) according to (1) issues impacting primarily on employees, (2) issues impacting primarily on companies, and (3) issues impacting primarily on the wider society. While recognising the subjectivity involved, we undertook a similar clustering of the topics addressed by our respondent companies. We classified the code topics according to the area in which we perceived them as having the most impact (i.e. individual employee, company or the wider society).⁵

Topics are clustered as shown in Table II, which also shows the incidence of each topic in the total response and split between multinational and non-multinational companies.

A greater number of the topics fall into the employee related cluster with very few falling into the cluster related to the wider society. This accords

TABLE I
Code of conduct topics: MNC and non-MNC incidence

	Incidence No.	%	Incidence in MNCs	% MNCs with code	Incidence Non-MNC	% Non-MNC with code
Health & Safety	82	82	56	88	26	72
Employee Confidentiality	82	82	50	78	32	89
Protection of Company Information	80	80	54	84	26	72
Adherence to Law	79	79	53	83	26	72
Sexual Harassment	76	76	52	81	24	66
Conflicts of Interest	75	75	51	80	24	67
Use of inside information	70	70	47	73	23	64
Equal Opportunity	68	68	47	73	21	58
Theft/Fraud	66	66	47	73	19	53
Racial Harassment	65	65	45	70	20	55
Client Confidentiality	61	61	41	64	20	56
Use of Company Assets	61	61	41	64	20	56
Acceptance of Bribes/Gifts	57	57	39	61	18	50
Religious Harassment	50	50	35	55	15	42
Environmental Issues	50	50	38	59	12	33
Accuracy of Company records	48	48	32	50	16	44
Substance Abuse	46	46	32	50	14	39
Impact of Company on Society	33	33	26	41	7	19
Dress Code	32	32	19	30	13	36
Nepotism	20	20	16	25	4	11

with Weaver's (1993) view that topics in codes focused on internal company issues receive more attention than those with an external focus. It also reinforces Lefebvre and Singh's (1992) assertion that codes are mainly concerned with protecting the company. There was little difference in the degree of attention given in codes to subjects with a primary focus on the company or to subjects with a primary focus on the employee. This was the case for both multinational and non-multinational companies.

The impact of industry sector on code content

Table III considers the results for the main industry sectors that responded to the survey: Agri/Food/Drink, Manufactured/Processed Goods, Distribution, Financial Services, and Technology. All financial services companies indicated they possessed a code of conduct while technology companies had the next highest incidence rate. The Distribution sector has a much higher incidence of code content related to: adherence to law, use of inside informa-

tion, health/safety, substance abuse, client confidentiality, religious harassment and dress code. Technology companies show an equally high emphasis on adherence to laws, use of inside information, substance abuse and client confidentiality. Technology companies are more likely to include the protection of company information, theft / fraud, employee confidentiality and use of company assets. Due to the importance of intellectual capital to its business it is unsurprising that Technology companies are more likely than others to include topics such as equal opportunity, sexual harassment and racial harassment. In contrast, however, Financial services companies appear less likely to refer to both equal opportunity and sexual harassment as well as the impact of the company on society. Manufacturing and Agri/Food/Drink companies are less likely than the other two sectors to mention client confidentiality and dress code. Along with Financial Services companies, they also make relatively little reference to racial harassment.

Financial Services, Tourism/Leisure and Media/Telecoms were the sectors that were least likely to

TABLE II
Topic incidence by cluster

	Incidence %	Incidence % in MNCs with code	Incidence % in non-MNC with code
<i>Cluster 1 – Issues impacting primarily on the company</i>			
Protection of Company Information	80	84	72
Adherence to Law	79	83	72
Conflicts of Interest	75	80	67
Theft/Fraud	66	73	53
Client Confidentiality	61	64	56
Use of Co. Assets	61	64	56
Accuracy of Company records	48	50	44
Nepotism	20	25	11
Health & Safety	82	88	72
Employee Confidentiality	82	78	89
<i>Cluster 2 – Issues impacting primarily on employees</i>			
Sexual Harassment	76	81	66
Use of inside information	70	73	64
Equal Opportunity	68	73	58
Racial Harassment	65	70	55
Acceptance of Bribes/Gifts	57	61	50
Religious Harassment	50	55	42
Substance Abuse	46	50	39
Dress Code	32	30	36
<i>Cluster 3 – Issues impacting primarily on the wider society</i>			
Environmental Issues	50	59	33
Impact of Company on Society	33	72	19

include subject matter related to the company's impact on society in their codes. The Distribution sector was the most likely to address these issues and was the sector most likely to address issues across the range of clusters. In most industry sectors, there was a greater focus on issues affecting employees than on issues impacting on the company. An interesting exception is the Technology sector, which focused more attention on company related topics. This may be in response to the need for technology companies to protect proprietary information, which gives them their competitive advantage.

The implementation/enforcement of codes of conduct

Method of code composition

The manner in which a code of conduct was originally composed can provide an indication of its relevance in an organisation. Codes that are simply

copied or written by outsiders are less likely to be accepted by staff or to be really useful to the specific company (Trevino and Nelson, 1995). About 46% of companies reported that their codes were written by company personnel, 36% were provided by head office, while 11% were copied from another code of conduct and 7% were written by consultants (see Figure 2). About 63% of the companies that had codes written by company personnel were multinationals and these accounted for over 80% of companies with codes provided by head office. However, the high number of multinational companies with codes written by company personnel indicates some recognition of the need to adapt to local culture and conditions.

Method of code introduction

The manner in which a company's code of conduct is introduced to employees joining the company sends a strong message regarding the importance

TABLE III
Topics by main industry sectors

	Agri/Food/Drink	Manufacturing	Distribution	Financial Service	Technology
No of Responses in Sector	22	30	15	16	7
No in Sector with Company Code	14	23	6	16	6
% of Sector with Code of Conduct	63%	76%	40%	100%	86%
<i>% of Sector that have Codes that include each of the following topics*</i>					
Health & Safety	86%	70%	100%	75%	83%
Adherence to Law	79%	78%	100%	75%	100%
Sexual Harassment	71%	78%	83%	56%	100%
Theft/Fraud	71%	70%	67%	63%	100%
Employee Confidentiality	64%	87%	83%	88%	100%
Client Confidentiality	57%	52%	100%	81%	100%
Conflicts of Interest	57%	78%	100%	81%	100%
Environmental Issues	57%	48%	83%	25%	50%
Racial Harassment	57%	70%	83%	50%	100%
Equal Opportunity	57%	70%	83%	44%	100%
Religious Harassment	50%	48%	83%	31%	67%
Use of Inside information	50%	65%	100%	68%	100%
Impact of Company on Society	50%	30%	50%	19%	33%
Acceptance of Bribes/Gifts	43%	74%	67%	50%	50%
Use of Company Assets	43%	70%	67%	38%	100%
Accuracy/Completeness of Company Records	36%	39%	67%	44%	66%
Substance Abuse	21%	35%	83%	31%	83%
Nepotism	7%	22%	33%	25%	35%
Other	7%	17%	17%	25%	0%
Dress Code	7%	13%	83%	25%	17%

*e.g. 7 of the Agri/Food/Drink companies include “Use of inside information”, 14 of the Agri/Food/Drink companies have codes of conduct; 7/14 = 50%.

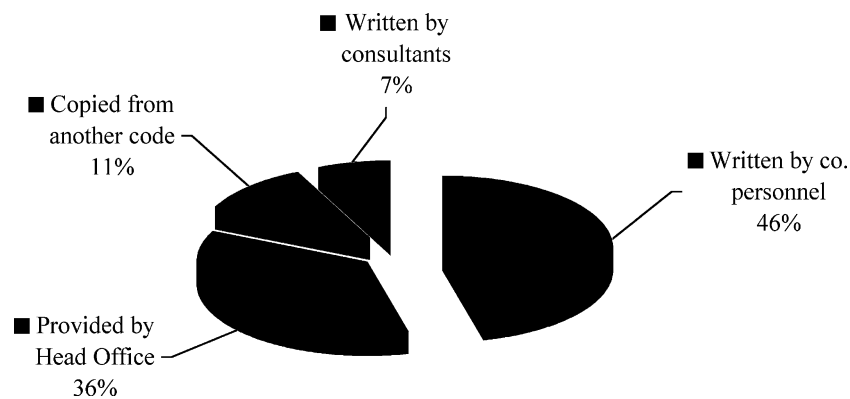


Figure 2. How was the code originally composed?

the company attaches to both their code, and the standards of behaviour expected. About 72% of companies with a code of conduct introduce the code to a new recruit at induction. About 38% send the code to the new employee with their contract. Both methods are useful in attaching a level of importance to the code though there can still be wide variations in the manner in which it is communicated. There is a big difference between mentioning the existence of a code in passing and having an initial training session which might include discussion of the contents of the code and hypothetical situations in which the code might inform staff of the correct action to take. Only 31% of companies who have implemented a code regularly reinforce it with all staff. About 24% of companies reinforce the code regularly as well as including it in induction while 23% combine induction and sending the code with the initial contract of employment. About 11% have no formal method of introducing the code to new staff which casts doubt on the importance attached to the code in these firms.

Rates of code revision

One indication of a code's relevance to an organisation is whether it has been updated or amended in response to the changing environment. About 79% of companies indicated that changes had been made to their codes since introduction. Code update was not confined to companies that had codes in place for longer periods of time. For example, 40% of those with a code in place for less than one year had updated the codes while 63% of those with codes for between one and three years had done likewise. Multinational companies were only slightly more active in amending their codes with 68% of them having engaged in this at some point, compared to 66% of non-multinationals. As well as having codes in place for longer, it is likely that multinational companies are exposed to a greater variety of changes in legal requirements and policy in the many countries in which they operate. This might lead one to expect a much higher rate of code revision amongst multinationals than non-multinationals although this overlooks the fact that multinationals codes many have been more highly developed to start with, and

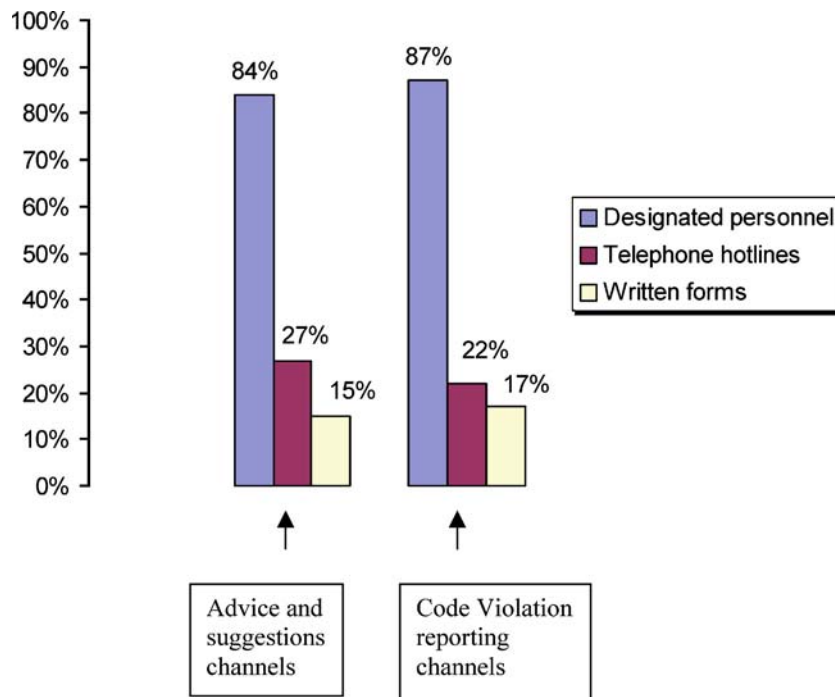


Figure 3. Channels for advice and suggestions and code violation reporting.

that change may be constrained by the politics of multiple jurisdictions and corporate hierarchy.

Procedures for seeking advice or reporting violations

Advice and suggestion channels

As already discussed, codes are unlikely to be enforced unless there are channels for employees to seek guidance or report suspected breaches of the code. About 62% of companies with codes of conduct reported the existence of formal procedures for staff to seek advice or make suggestions relating to the code (see Figure 3). The most popular channel was designated personnel to which employees should report which is utilised by nearly 84 per cent of these companies. Next in popularity are telephone hotlines, which are in place in 27% of respondent companies with codes, and written forms used by nearly 15 per cent.

A high proportion of companies with telephone hotlines are multinationals (82%) indicating that these may be lines back to the home country head office. This can be useful in one sense in that it gives employees the opportunity to discuss a problem with someone unconnected with the immediate workplace but it is likely that cultural differences and even time differences could dissuade employees from using the facility.

Violation reporting channels

Findings regarding the existence of channels for reporting violations mirror the findings on advice channels (see Figure 3). About 51% of all companies with a code of conduct had both advice seeking procedures and violation reporting procedures although it is likely that in most cases the same channels are used for both. More companies had procedures for the reporting of violations than for seeking advice, including 67% of those with a corporate code of conduct. Nearly 87% of these channelled reports of breaches through designated personnel. As already outlined, this can have limitations if these individuals are the very people at the root of the problem. About 22% used telephone hotlines, 73% of these companies were multinationals which was a lower percentage than those using advice lines.

Disciplinary procedures

Incidence and nature of disciplinary procedures

Unless there are formal disciplinary procedures in place for breaches of a company code of conduct, the code itself is likely to be regarded by employees as little more than window dressing. About 90% of companies with a code responded that they also had formal disciplinary procedures in place. About 64% of the companies with formal disciplinary procedures were multinationals. The questionnaire also asked what forms of discipline were used.

No respondent indicated that a record would be placed on an employee's personnel file. Sixty-eight companies (76%) indicated that they might suspend an individual guilty of a breach of their code, while seventy-four companies (82%) said that they might dismiss the person. Eleven companies (12%) indicated that pay could be cut. Twenty-three companies checked the 'other' box, most of them indicating in their comments that verbal and written warnings would be administered or that the punishment was dependent on the severity of the breach. Two of the companies mentioned demotion as a punishment. The results indicate a high adoption of formal disciplinary procedures.

Conclusions

Our objective in this paper has been to initiate a systematic process of investigation of issues surrounding the use of ethical codes in Irish based companies. Given the emergence of concerns about business behaviour in Ireland in the past decade, we sought to examine if Irish based companies were making attempts to promote ethical behaviour internally in their organisations through the use of codes of conduct. Specifically, using a comprehensive questionnaire survey, we examined the incidence, content and enforcement of ethical codes among companies operating in this context. Our study is, however, limited by the low response rate received from the survey and by the fact that we could not track the size of companies responding.

Our survey indicates that the use of codes of conduct amongst responding indigenous Irish companies in most industries increased significantly from 1995 to 2000. However, these codes focus primarily on issues surrounding company and employee protection as

opposed to society protection with employee confidentiality, adherence to the law, health and safety and the protection of company information to the fore. This focus accords with the results of prior research in Ireland and other contexts (see, Lefebvre and Singh, 1992; Weaver, 1993; Mathews, 1987; Snell et al., 1999; Stohs and Brannick, 1999). As Weaver (1993) suggests these issues are likely to be popular as they have more immediate consequences and are more tangible and easier to control than a companies' broader societal impacts (such as impacts on local communities, families etc.). Multinational companies included a greater range of subject matter in their codes than non-multinationals and also focused primarily, albeit not as exclusively, on issues surrounding company protection. This growth in the usage of codes among indigenous Irish companies may also reflect a reaction to emerging business and political scandals in Ireland around this time.

Almost half of all codes are written by company personnel or provided by head office. A high percentage of companies have revised their codes since first introducing them which suggests that at least some serious attention is given to codes in these companies and that they are not being ignored in everyday company affairs (see Le Jeune and Webley, 1998; Weaver et al., 1999). However, despite a large number of companies introducing their code of conduct to new recruits at the time of induction a substantial percentage had no formal method of instructing new staff about their codes thereby ques-

tioning their ongoing promotion in these companies. Only 62% of companies with codes had formal channels for reporting violations, the most popular being reporting through designated personnel. This questions the extent of the support potential complainants can expect within the other organisations. A high percentage of companies also have formal disciplinary procedures which suggests support for established codes and a greater likelihood that these represent living documents in these organisations.

As we have indicated, our research represents a first step in investigating the existence and implementation of codes of conduct in Ireland. Given the evidence on the existence and content of these codes presented here, future research in this context needs to examine further the effectiveness of these codes. For example, the impact of codes of conduct on the perceptions and behaviour of managers in individual Irish organisations should be ascertained in order to determine if these codes are operating as more than mere symbolic exercises with little substantive impact (Adams et al., 2001; Sims and Brinkmann, 2003; Schwartz, 2001; Weaver, 1993; Wotruba et al., 2001). This research may act to counter or support the scepticism and cynicism of many within the academic and corporate worlds about the impact of codes of conduct generally (Marnburg, 2000; Schwartz, 2001; Sims, 1991; Sims and Brinkmann, 2003) as well as contributing to the growing interest in the behavioural and contextual issues associated with ethical codes of conduct (Somers, 2001).

Appendix 1: Questionnaire

For the purposes of this research code of conduct, code of practice and code of ethics are regarded as being synonymous.

1. Please (✓) tick the box which most closely resembles your company's core activity.

<input type="checkbox"/>	Agri/Food/Drink	<input type="checkbox"/>	Mineral/Raw Materials
<input type="checkbox"/>	Manufactured/Processed Goods	<input type="checkbox"/>	Transportation
<input type="checkbox"/>	Industrial Plant	<input type="checkbox"/>	Construction
<input type="checkbox"/>	Distribution	<input type="checkbox"/>	Tourism/Leisure
<input type="checkbox"/>	Media/Telecommunications	<input type="checkbox"/>	Financial Services
<input type="checkbox"/>	Technology	<input type="checkbox"/>	Publishing
<input type="checkbox"/>	Education/Training	<input type="checkbox"/>	Business Services
<input type="checkbox"/>	Other (please specify)		

2. Is your company a branch of a multinational?

Yes No

3a. In the course of planning and review, does your company take steps to identify and assess risks to the business from non-compliance with law and regulations?

Yes No
If NO please go straight to Q. 4

3b. If Yes, what form does this assessment take? (Please tick all that apply)

- Use of analysis models (PEST, SWOT, etc.) by company personnel
 Brainstorming sessions with company personnel
 Updates to Board
 Assessment of the impact of identified risks
 Assessment of the likely occurrence of identified risks
 Review of internal control reports
 Cost benefit assessment of controls to deal with identified risks
 Other (please specify)

3c. If Yes, how often does this assessment take place? (Please tick one only)

- Annually
 Every six months
 Quarterly
 Monthly
 Other (please specify)

4. Does your company have a code of conduct?

Yes No
If NO please go straight to Q. 13

5. How long has your company had a code of conduct in place? (Please tick one only)

- Less than 1 year
 1–3 years
 4–5 years
 6–10 years
 more than 10 years

6. Has the code been updated or amended since it was introduced?

Yes No

7. How was your code originally composed? *(Please tick one only)*

-
- | | |
|--------------------------|---|
| <input type="checkbox"/> | Written by company personnel |
| <input type="checkbox"/> | Written by consultants |
| <input type="checkbox"/> | Provided by head office |
| <input type="checkbox"/> | Copied from or modelled on another company's code |
| <input type="checkbox"/> | <i>Other (please specify)</i> |
-

8. Which of the following topics are included in your code? *(please tick all that apply)*

-
- | | | | |
|--------------------------|-----------------------------------|--------------------------|--------------------------------------|
| <input type="checkbox"/> | Adherence to Law | <input type="checkbox"/> | Substance Abuse |
| <input type="checkbox"/> | Sexual Harassment | <input type="checkbox"/> | Religious Harassment |
| <input type="checkbox"/> | Racial Harassment | <input type="checkbox"/> | Equal Opportunity |
| <input type="checkbox"/> | Theft/Fraud | <input type="checkbox"/> | Acceptance of Bribes/gifts |
| <input type="checkbox"/> | Dress Code | <input type="checkbox"/> | Client Confidentiality |
| <input type="checkbox"/> | Employee Confidentiality | <input type="checkbox"/> | Use of company assets |
| <input type="checkbox"/> | Conflicts of Interest | <input type="checkbox"/> | Nepotism |
| <input type="checkbox"/> | Use of inside information | <input type="checkbox"/> | Health & safety |
| <input type="checkbox"/> | Environmental issues | <input type="checkbox"/> | Impact of company on society |
| <input type="checkbox"/> | Protection of company information | <input type="checkbox"/> | Accuracy/completeness of co. records |
| <input type="checkbox"/> | <i>Other (please specify)</i> | | |
-

9. How do you introduce the code to new staff? *(please tick all that apply)*

-
- | | |
|--------------------------|---|
| <input type="checkbox"/> | Code sent to new recruit with contract |
| <input type="checkbox"/> | Code introduced during induction into company |
| <input type="checkbox"/> | Not formally introduced |
| <input type="checkbox"/> | Regularly reinforced with all staff |
| <input type="checkbox"/> | <i>Other (please specify)</i> |
-

10a. Are formal procedures in place for staff to seek advice/make suggestions relating to the code (e.g. check whether an action may be in violation or point out a possible gap in the code)?

-
- | | | | |
|--------------------------|-----|--------------------------|----|
| <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
|--------------------------|-----|--------------------------|----|
-

10b. If Yes, what form do these procedures take? *(please tick all that apply)*

-
- | | |
|--------------------------|-----------------------------------|
| <input type="checkbox"/> | Designated personnel to report to |
| <input type="checkbox"/> | Telephone hotlines |
| <input type="checkbox"/> | Written forms |
| <input type="checkbox"/> | <i>Other (please specify)</i> |
-

11a. Are formal procedures in place for reporting violations of the code?

-
- | | | | |
|--------------------------|-----|--------------------------|----|
| <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
|--------------------------|-----|--------------------------|----|
-

11b. If Yes, what form do these procedures take? *(please tick all that apply)*

- | | |
|--------------------------|-----------------------------------|
| <input type="checkbox"/> | Designated personnel to report to |
| <input type="checkbox"/> | Telephone hotlines |
| <input type="checkbox"/> | Written forms |
| <input type="checkbox"/> | Other <i>(please specify)</i> |

12a. Are formal disciplinary procedures in place?

- | | | | |
|--------------------------|-----|--------------------------|----|
| <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
|--------------------------|-----|--------------------------|----|

12b. If Yes, what form do these procedures take? *(please tick all that apply)*

- | | |
|--------------------------|-------------------------------|
| <input type="checkbox"/> | Recorded on personnel file |
| <input type="checkbox"/> | Suspension |
| <input type="checkbox"/> | Dismissal |
| <input type="checkbox"/> | Pay docked |
| <input type="checkbox"/> | Other <i>(please specify)</i> |

13. Are you currently considering the introduction of a code of conduct in your company?

- | | | | |
|--------------------------|-----|--------------------------|----|
| <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
|--------------------------|-----|--------------------------|----|

14a. Are there specific reasons why your company does not have a code of conduct?

- | | | | |
|--------------------------|-----|--------------------------|----|
| <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
|--------------------------|-----|--------------------------|----|

15a. In the absence of a code do you have any formal procedures for staff to seek advice relating to standards of behaviour or to report suspicions regarding fraud, illegal behaviour, etc.?

- | | | | |
|--------------------------|-----|--------------------------|----|
| <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
|--------------------------|-----|--------------------------|----|

15b. If Yes, what form do these procedures take? *(please tick all that apply)*

- | | |
|--------------------------|-----------------------------------|
| <input type="checkbox"/> | Designated personnel to report to |
| <input type="checkbox"/> | Telephone hotlines |
| <input type="checkbox"/> | Written forms |
| <input type="checkbox"/> | Other <i>(please specify)</i> |

16. Are there any other comments you would like to make regarding codes of conduct?

End of Questionnaire

Notes

¹ For the purposes of this paper, the terms 'code of conduct', 'code of ethics', 'ethical code', and 'code of practice' are regarded as synonymous.

² We do not attempt to study the *effects* of codes of ethics (Brenner and Molander, 1977; Schlegelmilch and Houston, 1989), merely the extent of their existence and elements of their enforcement among companies in one oft neglected context.

³ In order to gauge the extent of implementation of codes within companies, Weaver et al. (1999) looked at issues such as: the revision of ethical codes/policies; the procedures for dealing with ethics related problems; and reporting and advice systems put in place.

⁴ We initially intended to send a questionnaire to a key individual within each company with a request to return a copy of their code of conduct along with the completed questionnaire. However, we decided to emphasise that return of a copy of their code of conduct was not a requirement to take part in the survey as this appeared to have had a positive impact on the response rate in the Robin et al. (1989) study. Furthermore, the implicit resistance of the human resources managers consulted to disclosing actual codes indicated that there would be some resistance to requests for individual codes.

⁵ This is a subjective process and is not simply a matter of matching the topics to those included in previous research. For example, the Stohs and Brannick (1999) research which looked at perceptions regarding a number of specific business practices classified bribes as relating to employee behaviour while the Robin et al. (1989) study viewed this as belonging to the cluster relating to harming the company. For example, racial harassment could be seen as fitting into any one of the three categories. Racial harassment affects one or many ethnic sectors of society. It also exposes the company to legal action but in the context of a company code, it has most effect on the individual employee whether he or she is the instigator or the victim.

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