MEASURING THE EFFECTIVENESS OF A CODE OF ETHICS

Research Paper

presented to UNISA

School of Business Leadership (SBL)

Yolande Kruger

70502226

DECLARATION

I, Yolande Kruger, hereby declare that this study project is my own original work and that all the sources have been reported accurately and acknowledged, and that this document has not previously, in its entirety or in part, been submitted at any university in order to obtain an academic qualification.

Yolande Kruger
November 2006

ACKNOWLEDGEMENTS

Firstly, my thanks go to my family and friends for their support, encouragement and love during this process. I would also like to express my sincere gratitude to my supervisor, Lea Dippenaar, for her assistance, advice and encouragement. Lastly, thanks to my colleagues at Deloitte for their support, especially the input from Andreas Dinkelacker. I also thank Dorothy van Tonder for editing, and Ansie Brink for the technical editing.

ABSTRACT

Previous studies have found that an established code of ethics could have an impact on the behaviour of employees. Recent corporate scandals world wide have placed closer focus on the existence of the code of ethics. As a guideline, the King II Report recommends that every company listed on the Johannesburg Stock Exchange (JSE) should have a code of ethics. Legislative developments such as the Sarbanes-Oxley Act in the US require publicly held companies to disclose in their annual report whether they have adopted a code of ethics. This increase in emphasis on codes of ethics also moved the focus of this research from investigating the mere existence of a code of ethics to considering the role that the content of the code plays in its effectiveness in influencing behaviour.

Data was obtained from 14 codes of ethics made available by companies listed on the JSE. Those included in the research were both value and compliance based, and were analysed in accordance with guidelines from King II and from previous studies on code content.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER 1
INTRODUCTION

1.1 BACKGROUND

Organisations develop a code of ethics in response to the issues confronting them in the pursuit of their business objectives. The profile of an organisation's ethical concerns explains how it reconciles management, business priorities, and public policy questions. Some executives have a very narrow view of business ethics. They believe organisations should be concerned with business ethics only when dealing with employees, as opposed to all their stakeholders. Corporate scandals, such as the alleged greed and accounting irregularities at energy giant Enron, have put the spotlight on corporate governance. Most recently, organisations around the world have had to review their corporate governance policies to ensure that there are no loopholes.

1.2 OBJECTIVES

The purpose of this research is to measure the effectiveness of codes of ethics. The maintenance of an ethical environment is an integral part of corporate governance, and should be a high priority for members of the board of directors and senior management. The board and management are often unaware of the scale of misconduct in their organisation until it is too late (Punch, 1996). However, simply circulating a code of ethics does not necessarily mean that ethical behaviour among employees will increase. To ensure effectiveness of the code of ethics, the vision of the ethics message should be understood clearly, communicated widely, and endorsed by the board of directors. A better understanding of the process by which codes of ethics influence behaviour is needed.

1.3 SCOPE AND FOCUS OF THE STUDY

The main research problem is to measure the effectiveness of a code of ethics. In the literature review, it was clear that various studies had been done on the topic of codes of ethics, their impact on the behaviour of employees, and the subsequent ethical climate of the companies in which they are applied. However, the research has not been done within a South African context, nor has it been based in the context of the Sarbanes-Oxley Act.

1.4 IMPORTANCE OF THE STUDY

Codes of ethics are drawn up in an attempt to improve the organisational climate so that individuals can behave ethically. Growing international and domestic business scandals in the 1970's and 1980's led companies to institute codes of ethics as symbols – to both internal and external stakeholders – of their commitment to ethical practices (Murphy, 1995).

The rapid change in expectations of organisations' performance, and the examination of organisations' ethics track record, has resulted in greater emphasis on their ethical behaviour. The importance of ethics as a concern of business is shown in a study conducted in 1989 that asked managers whether they considered ethical actions and decisions to be an integral part of their daily work (Mortensen, Smith and Cavanagh, 1989). The study found that managers not only felt that ethics were important, but that they ranked ethics ahead of many other important job dimensions.

Codes of ethics have been found to be valuable to companies, and to the business community at large. Once understood and recognised, they offer the following benefits (Hicks, 1999):

- They enhance the company's reputation for fair and responsible dealing
- They help to maintain high standards of behaviour throughout the organisation
- They give all the employees a clear idea of what the company is setting out to do and how it will do it

- They help to develop pride among staff, and give a focus to the organisation as a whole

1.5 STUDY ENVIRONMENT

The research paper is confined to companies in South Africa that are listed on Johannesburg Stock Exchange, but also include companies that are required to comply with the Sarbanes-Oxley Act.

1.6 CLARIFICATION OF CONCEPTS

1.6.1 Corporate Governance

According to Hendrikse (2004), corporate governance is the most significant development in business strategy for the 21st century, based not on management strategies but on a culture of performance with conformity involving shareholders, and business and community stakeholders, in a unique partnership. Cadbury (1999) states that 'Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals ... the aim is to align as nearly as possible the interest of individuals, corporations and society'.

The King Report on Corporate Governance (King I) was published in 1994 by the King Committee on Corporate Governance, headed by former High Court judge Mervyn King SC. King I was aimed at promoting the highest standard of corporate governance in South Africa. In 2002, the King II Report was published. This report embraced the economic, environmental, and social aspects of a company's activities, referred to as the triple bottom line. The King Committee held that '... successful governance in the world in the 21st century requires companies to adopt an inclusive and not exclusive approach. The company must be open to institutional activism and there must be greater emphasis on the sustainable or non-financial aspects of its performance. Boards must apply the test of fairness, accountability, responsibility and transparency to all acts or omissions and be accountable to the company but also responsive and responsible towards the company's identified stakeholders. The correct balance between conformance with governance principles and performance in an entrepreneurial market economy must be found, but this will be specific to each company' (Hendrikse, 2004).

Owing to a number of major corporate and accounting scandals involving prominent companies in the United States, such as Enron and WorldCom, and the resulting loss of public trust in accounting and reporting practices, the Sarbanes-Oxley Act was passed in 2002 in the United Sates of America. Sponsored by US Senator Paul Sarbanes and US Representative Michael Oxley, the aim of the Sarbanes-Oxley Act is to strengthen corporate governance and restore investor confidence. Sarbanes-Oxley law contains eleven titles, or sections, ranging from additional corporate board responsibilities to criminal penalties (Six Sigma Tutorial, 2004).

1.6.2 Business Ethics

De George (1999) defines ethics as a systematic attempt to make sense of our individual and social moral experience in such a way as to determine the rules that ought to govern human conduct; the values worth pursuing; and the character traits deserving development in life. Solomon (1994), on the other hand, describes ethics as: '...first of all, the quest for, and understanding of, the good life. Living well, a life worth living'. It is largely a matter of perspective: putting every activity and goal in its place; knowing what is worth doing and what is not worth doing; knowing what is worth wanting and having, and knowing what is not worth wanting and having. On the other hand, Velasquez (1998) defines ethics as the activity of examining our own moral standards, or the moral standards of society, and asking how these apply to our life and whether they are reasonable or unreasonable.

1.6.3 Code of Ethics

According to Schwartz (2004), the general definition of a code of ethics is: a written, distinct, and formal document that consists of moral standards used to guide employees and/or corporate behaviour. The definition has three components. The first, noted as the moral standards that should be applied, is also referred to as the value system, aspirational ideals, guidelines, ethical principles, norms and beliefs, or ground rules. Schwartz (2004) maintains that the moral standards guide employees to understand what behaviours are morally acceptable or improper. The second component, noted as to whom or to what the standard applies, is generally applied to the behaviour or conduct of the employees, and to the organisation's behaviour. The third component is the written, distinct, and formal nature of the document. This also implies that the code of ethics is a standalone document containing explicit information.

According to the King II Report, a code of ethics is a document or agreement that stipulates morally acceptable behaviour in an organisation. It defines the moral standards or guidelines that need to be respected by all the members of an organisation in their dealings with internal and external stakeholders (Institute of Directors, 2002).

The Code of Corporate Practices and Conduct prescribed by the King II Report stipulates the adoption of an appropriate code of ethics. As part of corporate governance, the following summarises what is required of the code. It should:

- commit an organisation to the highest standard of behaviour
- be developed in such a way as to infuse its culture in all its stakeholders
- receive total commitment from the board and CEO
- be sufficiently detailed to provide a reasonably clear guideline for the benefit of all the employees of the organisation concerned (Armstrong, 1995)

The Sarbanes-Oxley Act, as effected through the United States securities laws, requires a company to disclose in their annual report, on Form 20-F filed with the United States Securities and Exchange Commission (SEC), whether they have adopted a code of ethics applicable their principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Certain amendments to, or waivers of, this code for the company's principal executive and senior financial officers must be disclosed in accordance with the applicable US laws and regulations. This code of ethics must also be made available publicly in accordance with applicable US laws and regulations. In addition, the NASDAQ rules require the company to adopt a code of conduct applicable to all the directors, officers and employees, and to make this code available publicly.

1.7 PLAN OF THE STUDY

Chapter 1, titled 'Introduction', outlines what the research is about and what may be expected in the chapters to follow. It stipulates the objectives, scope and importance of the study. A clear indication is given of the problem and sub-problems to be researched.

In Chapter 2, titled 'Theoretical Framework', the researcher discusses the foundation of this study. Various theories that have a bearing on the research problem are reviewed critically.

In Chapter 3, titled 'Literature Review', the researcher focuses on a review of literature dealing with measuring the effectiveness of codes of ethics. The literature pertaining to previous research on codes of ethics and their behavioural impact is analysed and evaluated.

In Chapter 4, titled 'Research Methodology', more details of the problem statement and sub-problems are given. The hypothesis to be tested is formulated; more details of the sampling technique are presented; the type of measuring instrument used when gathering data is discussed, as well as the data analysis technique used for the purpose of this research.

In Chapter 5, titled 'Results', the researcher presents and explains the results of the study.

Finally, Chapter 6, 'Conclusions and Recommendations', summarises the study and makes recommendations.

CHAPTER 2
THEORETICAL FRAMEWORK

2.1 KING II GUIDELINES

The King II Report (Institute of Directors, 2002) offers the following categories of content that might be included in the code of ethics:

- rationale of the code
- ethical values or standards
- prescriptions or prohibitions
- sanctions

The rationale of the code is the justification for it. The reasons for developing it, and the objectives to be attained, are explained. The reader of the code should understand its importance.

The norms that guide the ethical behaviour are included in the ethical values or standards.

The prescriptions and prohibitions that are generally included in a code of ethics are directional; specific actions that are prohibited or prescribed are included. This gives the employees explicit direction.

The sanctions specify the consequences of disregarding the code of ethics.

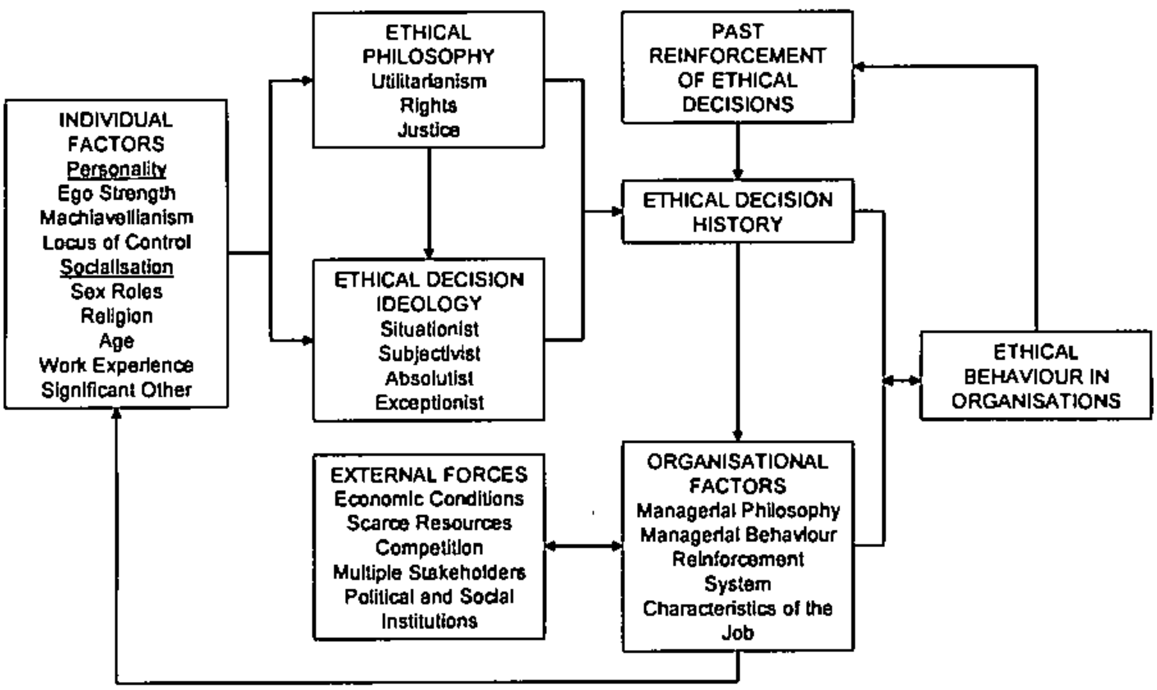
2.2 INTEGRATIVE MODEL

In an article on understanding and managing ethical behaviour in business, an integrated model was developed (Stead, Worrell & Stead, 1990). It depicts a direct relationship between decision history and organisational factors, and the ethical choices made by the individuals in the organisation.

The model of ethical behaviour consists of:

1. individual factors
2. ethical philosophy
3. ethical decision ideologies
4. external factors
5. organisational factors

Figure 2.1: Integrative model for understanding and managing ethical behaviour in business



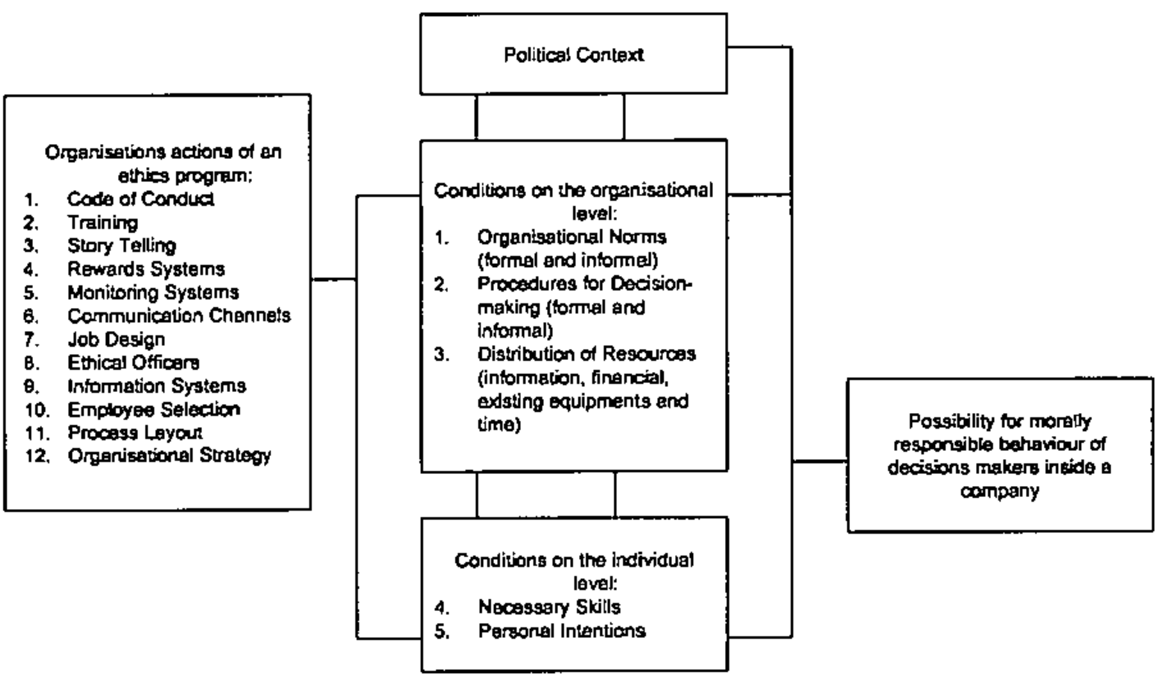
Source: Stead et al (1990).

This model helps organisations to focus on the factors they are able to control. If an organisation wants to promote ethical behaviour, it should focus on the areas of this model that it can control.

2.3 INTEGRATED FRAMEWORK FOR DEVELOPING AN ETHICS PROGRAMME

This is a theoretical model for implementing an ethics programme aimed at stimulating ethical behaviour in an organisation, and assisting employees to act in a morally responsible way (McDonald & Nijhof, 1999).

Figure 2.2: Interdependence between the different levels of business ethics and the focus of an ethics programme



Source: McDonald & Nijhof (1999).

2.4 ELEMENTS OF CODES OF ETHICS

The following is a list of elements that are usually found in codes of ethics (Hicks, 1999):

- A general statement, signed by the chairman and/or CEO, emphasising the commitment of the board and management to the code. It may include an overall statement of the company's objectives, a mission statement, or a summary of the company's basic philosophy

- Responsibilities to shareholders, and to the financial community generally
- Relations with customers and consumers
- Relations with suppliers
- Employment practices
- Personal conduct, which may include reference to bribery, inducements, commission, gifts, and dealing with conflict of interest
- Responsibilities to the community
- Monitoring of compliance with the code, and the means of ensuring compliance

A code of ethics should be developed to meet the needs of the particular company, and must reflect the culture of that company. A company should examine itself to see whether its operations and structures are compatible with ethical behaviour. The code has to be supported by appropriate mechanisms, and every effort should be made to ensure that compliance with the code is recognised as part of the company's corporate culture (Hicks, 1999).

In developing an effective code of conduct, Gibbs (2003) recommended the following to promote communication, disclosure and enforcement:

- Write the code in a way that all the employees can understand
- Circulate the code internally to all the employees regularly
- Require the employees to acknowledge receipt of it; that they have read it; that they understand it, and will report through appropriate channels any observed violation
- Circulate the code externally to institutional investors and other constituents
- Publish the code in the company's annual report and on its Web site
- Conduct periodic employee training on the code, and 'audits' of staff understanding of it
- Require periodic compliance self-assessment of selected employees using appropriate code provisions
- Take timely disciplinary action for violations

- Communicate lessons learned from violations to employees, and reinforce them through training
- Set up an internal reporting mechanism for employees to ask questions about ethical issues, and to report violations or breaches of company policy, without fear of retribution
- Establish protocols for handling reported violations consistently, including the use of legal counsel; co-ordination with law enforcement; and timely reporting to senior management and the board, consistent with the Sarbanes-Oxley requirements for reporting fraud.

CHAPTER 3
LITERATURE REVIEW

3.1 INTRODUCTION

Decision making by employees should be founded on the code of ethics. It should provide them with the right information to make decisions based on honesty, integrity, confidence, and trust. Employees should be fully aware of the company policies and guidelines on ethics in order to make the right decisions in difficult business situations; to know how and when to seek help when faced with ethical dilemmas; and to know where to report any unethical conduct.

A poll carried out in 1995 by New York based CBS News indicated that 55% of Americans believed that 'the vast majority of corporate executives were dishonest', and 59% thought that 'executive white-collar crime occurred on a regular basis' (Wulfson, 1998).

Several studies have been done on the issue of corporate ethics. Marnburg (2000) investigated the behavioural effects of corporate ethical codes, using a structure suggested by Claes Gustafsson (1998) that covers the most important issues of business ethics. These are reliability ethics, human ethics, capability ethics and future ethics.

Marnburg (2000) concluded that the existence of ethical codes did not have any behavioural effect on the professionals in Norway. The study also indicated that the code of ethics itself did not influence behaviour, but that the behaviour was influenced by the processes that the code of ethics symbolised. The study was confined to Norway.

Since several studies had been done only in America and Europe, Okpara (2003) felt that researchers had neglected Sub-Saharan Africa. The study by Dr John O Okpara therefore focused on the influence of codes of ethics on the behaviour of financial managers in Nigeria. Okpara (2003) used this study to determine whether the same constructs that applied in the US would apply to developing countries in Africa. Also, globalisation affected decision making, and the study was used to determine whether this would have an impact on behaviour. Based on previous research, Okpara expected that employees would be more committed to organisations that had adopted a code of ethics.

The results of the survey indicated that the existence of a formal code of ethics resulted in respondents in the organisation being more aware of wrongdoing than those from organisations that did not have a formal code of ethics. The results also showed significant differences between managers in organisations that had adopted a formal code of ethics and those in organisations that had not done so. Furthermore, the study showed that the presence of a code of ethics had no influence on employee willingness to report observed wrongdoing. In sharp contrast to studies done in the US, Okpara (2003) concluded that a code of ethics was an important tool that guided managers in making better ethical decisions.

Farrell, Cobbin & Farrell (2002a) argues that few evaluations have been made of the effectiveness of codes of ethics. Owing to a lack of adequate operational definition in the code, it has been difficult to measure the behavioural outcome. To avoid difficulties experienced previously, this study gathered actual observations.

3.2 PURPOSE OF A CODE OF ETHICS

Recent corporate scandals led to the development of the Sarbanes-Oxley Act, which requires publicly held companies to disclose whether they have adopted a code of ethics. A proposed listing on the New York Stock Exchange and the NASDAQ stock market requires companies either to adopt a code of ethics, or to disclose the existence of such a code. In South Africa, the King II Report, as a guideline, requires companies to demonstrate their commitment to organisational integrity by implementing a code of ethics.

The code of ethics has also been referred to as a code of conduct; code of practice; corporate credo; mission statement; and value statement. A code of ethics is a written, distinct, and formal document that consists of moral standards used to guide employee and/or corporate behaviour (Schwartz, 2004:324).

The definition of a code of ethics includes three components (Schwartz, 2004:324):

1. Moral standards to be applied; also referred to as the value system, aspirational ideals, guidelines, ethical principles, norms and beliefs, or ground rules
2. To what or to whom the standard applies, which is generally to employee behaviour or conduct, as well as to organisational behaviour
3. The document itself, which is a written, distinct, and formal document

The code of ethics could be seen as either an aspirational code or a directional code. As a document, the code of ethics provides employees with guidelines on expectations regarding their behaviour towards internal and external stakeholders. As the code of ethics is based on the values of the organisation, another purpose or outcome would be an agreement between stakeholders on the shared values.

The following have been cited by Farrell et al (2002b) as reasons for instituting a code of ethics. It:

- ensures commitment of the CEO to the code
- helps maintain public trust and credibility
- fosters management professionalism
- protects against improper employee conduct
- defines ethical behaviour in the light of new laws and social standards
- ensures the maintenance of high ethical standards in the face of changing culture and structures

3.3 DRAFTING THE CODE

A literature review by Farrell et al (2002b) examined and described the published findings of researchers on the incidence and content of codes of ethics in corporations, together with strategies that might be used to accompany and support corporate codes of ethics. This study included corporate codes in the United States, and in many other countries.

Codes in North America

Cressey and Moore (1983) analysed 119 codes of conduct, which represented 48 per cent of all the corporate ethics documents stored in the Watson collection. The researchers found a lack of consensus on the proper subject matter for codes of ethics, which resulted from attempts to tailor the codes to firms' individual concerns. The researchers reported that conflict of interest was given significantly more attention in the codes than any other policy area. The study further found that the ultimate authority for the ethical decisions embedded in codes was top management. The documents in the collection implied that oversight and self-reporting mechanisms were more effective for code compliance than for employee integrity. Cressey and Moore (1983) criticised the codes for their wide diversity of subject matter; their lack of sufficient attention to the social responsibilities of corporations; and their paternalistic and authoritarian textual tone.

Based on the methodology and approach of Cressey and Moore (1983), Mathews (1987) examined 202 American corporate codes in these areas:

1. Behaviour and action discussed in the codes
2. Enforcement procedures
3. Penalties

Mathews concluded that issues relating to conduct against a company were addressed more frequently than conduct affecting consumers and the general public.

Hite, Bellizzi, Fraser (1988) examined the content of 67 codes of ethics, and considered the codes to be excellent, comprehensive, and specific in the manner of prescriptions.

Robin, Giallourakis, David and Moritz (1989) examined the content of 84 codes of ethics. The analysis confirmed the findings of Cressey and Moore (1983) that corporate codes tended to imitate criminal law by containing rule-based statements, whereas broad shared values were almost totally absent. The codes examined were criticised as lacking the ability to aid ethical decision-making, because they dictated or provided rules that prohibited or demanded specific behaviour. The study concluded that codes in the United States continued to be substantially protective of the organisation, rather than inclusive of the interests of other stakeholders.

The methodology developed by Cressey and Moore (1983), modified by Mathews (1987) and further modified by Lefebvre and Singh (1992), was used to analyse the content of 75 codes of ethics. The study found that the codes addressed issues pertaining to conduct against the corporation more frequently and extensively than conduct on behalf of the corporation.

Researchers concluded that three schools of philosophy were evident from the texts:

1. That every possible ethical situation should be addressed in codes
2. That codes should be simple statements of values
3. A middle position that codes should contain no more than general rules on topics of concern – more than half the codes took this approach

Codes in the United Kingdom

Schlegelmilch and Houston (1989) examined 31 respondents from the 200 largest companies. They found that the codes tended to be too general and too broad to be reliable, or of any use.

Codes Elsewhere

Langlois and Schlegelmilch (1990) surveyed 600 European firms, and identified three basic formats of codes:

1. Regulatory documents with specific advice to addressees on behaviour, often with a system of sanctions

2. Short, widely phrased creeds often stating aims, objectives, and values, with no specific guidance content, and often encompassed in a larger document
3. Elaborate codes covering social responsibility to many stakeholders and a wide range of topics

Farrell and Cobbin (1996) also analysed the content of corporate codes, examining respondents from the top 500 Australian companies. Included among the findings were that the UK codes had a higher usage of items related to the community and customer welfare than the Australian codes. It was reported that US codes, when compared with Australian ones, had a higher usage of items related to customers, equal opportunity, and insider trading. For both countries the level of specific guidance ethical content in their enterprise codes was very low.

Wood (2000) also analysed Australian corporate codes and found that they were not dramatically distinct in construction and content.

Frankel (1989) identified three types of codes:

1. Inspirational codes – those that contained statements of ideals to which addressees should strive
2. Regulatory codes – those that had a set of detailed rules to govern conduct and that served as a basis for adjudicating grievances
3. Educational codes – those that supported understanding of their prescriptive provisions, with extensive commentary and interpretation

The literature review demonstrated that there had been no progress towards consensus on what the proper subject matter for codes of ethics would be. Diverse views remained on what constituted a code of ethics (Farrell et al, 2002b).

3.4 CODE EFFECTIVENESS

The study by Schwartz (2004) begins to address the concerns of Adams, Tashchian and Stone (2001) by examining whether there are several matters beyond the mere existence of the code that should be taken into account as potentially relating to code effectiveness. Several studies have recommended the code content, the creation of the code, the code implementation process, and the code administration process as improving the code effectiveness.

The study by Schwartz (2004) found that provisions required clear and sufficient justification before employees would accept and comply with the expected behaviour. A code that lacked relevant examples was most likely to remain ineffective. Respondents stated that codes should be negative in tone to be effective. What the study also found was that a code written in positive or inspirational language might in fact provide employees with an even greater opportunity to engage in inappropriate activity. There appeared to be a certain ideal length for corporate codes, beyond which the code became overly cumbersome, and less likely to be read and therefore complied with. Most of the respondents indicated that their organisation's code was directly related to the nature of its business and the activities of its employees. This might become a problem when companies chose to adopt generic codes of ethics to comply with the Sarbanes-Oxley Act. The code of ethics had the potential to lose its legitimacy, if companies were expecting their employees to engage in behaviour that the employees regarded as unrealistic or unattainable.

The study by Schwartz (2004) supports the claim that the mere existence of a code is unlikely to influence employee behaviour. Companies simply possessing a code could legitimately be open to allegations of window-dressing.

According to Schwartz (2004), several theorists suggest that ethical behaviour could be influenced by a code of ethics, including individual factors and situational factors. Individual factors may be described as gender, nationality, culture, age, religion, type of education, type of employment, year of employment, personality, beliefs and values. Situational factors could be peer group influence, top management influence, rewards, sanctions, type of ethical decision, size of the organisation, and type of industry.

Code effectiveness is described as having three components (Schwartz, 2004):

1. Employees and managers behave in a manner that is considered by the company to be legal and ethical in nature
2. Non-compliant behaviour is reported and addressed by the company to prevent repetition
3. The compliant behaviour is, at least in part, owing to the existence of the code itself

A number of investigations have been conducted in an attempt to verify whether codes are in fact a variable that influences behaviour. The results are clearly mixed: several studies (8/19) have found that codes are effective; others (2/19) that the relationship is weak; many others (9/19) that there is no significant relationship between the variables (corporate culture and code of ethics).

The research gaps in the studies noted above and discussed in more detail in the table below relate to these issues: (1) the identification of actual examples of modified behaviour owing to codes; (2) an examination of employee motivation for code compliance, or non-compliance; and (3) an exploration of the means by which codes influence behaviour.

Table 3.1: Empirical research on code effectiveness

Author (s) (year)	Respondent	Research Methodology	Finding
Significant Relationship			
Ferrell and Skinner (1988)	Marketing researchers	Questionnaire	'Existence of code related significantly to greater perceived ethical behaviour; Enforcement of codes significantly related to higher ethical behaviour of data subcontractors and research firms, but not corporate researchers' (p.106)
Hegarty and Sims (1979)	91 graduate business students	Lab experiment	'An organisational ethics policy had a deterring influence on unethical behaviour' (p.337)
Kitson (1996)	17 bank managers	Interviews	'... a significant number of managers have been influenced in their behaviours by the existence of the Ethical Policy' (p.1026)

Author (s) (year)	Respondent	Research Methodology	Finding
Laczniak and Inderrieden (1987)	113 MBA students	In-basket exercise	Codes by themselves have little impact; code plus sanctions leads to more ethical behaviour (p.304)
McCabe, Trevino and Butterfield (1996)	328 college graduates	Questionnaire	'The existence of a corporate code of ethics was associated with significantly lower levels of self-reported unethical behaviour in the workplace' (p.471)
Pierce and Henry (1996)	356 data processing management professionals	Questionnaire	'The results show that a formal company code of computer ethics has an impact on decision making' (p.434)
Rich, Smith and Mihalek (1990)	264 management accounts	Questionnaire	'The company code of conduct influenced the (ethical) behaviour (respondents)' (p.35)
Singhapakdi and Vitell (1990)	Marketing managers	Questionnaire	Ethical policy determines the extent to which sales executives see ethical problems.
Weak Relationship			
Murphy, Smith and Daley (1992)	149 managers	Questionnaire	'There is a weak relationship between the existence of ethical codes and ethical behaviour' (p.18)
Weeks and Nantel (1992)	309 salespeople from single company	Questionnaire	'A well communicated code of ethics may be related to ethical sales force behaviour' (p.757)
Insignificant Relationship			
Akaah and Riordan (1989)	420 marketing professionals	Questionnaire	'A code of ethics ... lacks significance as a correlate of research ethics judgments' (p.119)
Allen and Davis (1993)	207 national business consultants	Questionnaire	'... results suggest that unless ethical codes and policies are consistently reinforced with a significant reward and punishment structure and truly integrated into the business culture , these mechanisms would be of limited value in actually regulating unethical conduct' (p.456)
Badaracco and Webb (1995)	30 middle managers		Codes of ethics '... seemed to make little difference' (p.14)

Author (s) (year)	Respondent	Research Methodology	Finding
Brief, Dukerich, Brown and Brett (1996)	145 managers	Questionnaire	'... codes of corporate conduct per se do not appear to work... our findings provided no support for the assertion that codes reduce the likelihood of fraudulent financial reporting' (p.192)
Callan (1992)	226 state government employees	Questionnaire	'Employees' awareness and regular use of the organisation's code of conduct generally proved to be poor predictors of ethical values' (p.768)
Chonko and Hunt (1985)	1,076 marketing practitioners	Questionnaire	'The existence of corporate codes of ethics seems to be unrelated to the extent of ethical problems perceived by marketing managers' (p.356)
Clark (1998)	150 graduate and undergraduate business students	Questionnaire	'... corporate codes of ethics are not influential in determining a person's ethical decision making behaviour' (p.619)
Ford, Gary and Landrum (1982)	Managers	Questionnaire	'The presence of the code had little or no effect on the behaviour of the respondents' (p. 53)
Hunt, Chonko and Wilcox (1984)	1,076 marketing researchers	Questionnaire	'The presence of a corporate code of conducts seems to be related to the extent of ethical problems in marketing research' (p.319)

Source: Schwartz (2001)

A study by Schwartz (2001) examined the relationship between codes of ethics and behaviour. The findings indicated that codes of ethics were a potential factor influencing the behaviour of corporate agents, i.e. managers and employees. Reasons were given for both violation of, and compliance with, codes. In terms of non-compliance with the code, the respondents gave these reasons: (a) self-interest; (b) dissatisfaction; (c) environment; (d) company's best interest; and (e) ignorance. Employees tended to comply with the code for reasons of: (a) personal values; (b) fear of discipline; and (c) a feeling of loyalty to the company.

The study found that the following themes or metaphors emerging from the interview data helped to explain how codes could influence behaviour:

1. As a rule book, the code acts to clarify what behaviour is expected of employees
2. As a signpost, the code could lead employees to consult other individuals, or corporate policies, to determine whether certain behaviour is appropriate
3. As a mirror, the code provides employees with an opportunity to confirm whether behaviour is acceptable to the corporation
4. As a magnifying glass, the code suggests a note of caution to employees to be more careful, or engage in greater reflection, before acting
5. As a shield, the code acts in a manner that allows employees to challenge and resist unethical requests better
6. As a smoke detector, the code leads employees to try to persuade others and warn them of their inappropriate behaviour
7. As a fire alarm, the code leads employees to contact the appropriate authority and report violations
8. As a club, the potential enforcement of the code causes employees to comply with the code's provisions

This study by Schwartz (2001) was grounded in the behavioural perspective. Ethical codes were analysed in relation to employee behaviour and contextual characteristics of organisations, rather than defined as the outcome variable, as had been done in most of the previous research on this topic. Thus, the primary focus of this research and related data analyses is on (potential) relationships between codes of ethics in organisations, contextual characteristics of organisations, and employee behaviour.

A study by Adams et al (2001) compared individuals' perceptions of the ethical behaviour of members of their work role sets (top management, supervisors, peers, subordinates, and self) and key aspects of the organisational climate, such as supportiveness for ethical behaviour; freedom to act ethically; and satisfaction with the outcome of ethical problems.

This study found that the existence of a corporate code of ethics affected the ethical behaviour of employees, and their perceptions of ethics, in several ways.

Respondents who were employed by companies that had implemented a code of ethics judged subordinates, co-workers, themselves, and especially supervisors and top managers to be more ethical than did respondents working in organisations that had no formal code of ethics. Employees in companies with an ethics code also gave higher ratings for company support for ethical behaviour; reported higher levels of satisfaction with the outcome of ethical dilemmas; more frequently reported being encouraged to behave ethically; and felt somewhat less pressured to behave unethically than respondents from companies without an ethics code. Furthermore, respondents in companies with an ethics code perceived fewer restrictions on their ability to behave ethically, and were less likely to feel intimidated and threatened for behaving ethically. Yet, investigations seem inconclusive as to whether many of the actions undertaken by business to create a more ethical environment are effective.

Bensen, in his 1989 article on codes of ethics, felt that codes of conduct were generally favourable towards creating a more ethical corporate climate. He indicated that organisations ought to realise that there were several areas that these codes could not address effectively, but that the codes of ethics assisted in countless other areas that decision makers faced in their daily working life (Cleek & Leonard, 1998).

Cressey and Moore (1983) felt that codes of conduct were not adequate tools for promoting employees' ethical behaviour. They noted that codes were oriented too decisively towards organisational factors, such as conflict of interest and embezzlement, and not sufficiently towards social responsibility factors, such as pollution, unsafe working conditions, and the marketing of unsafe products (Cleek & Leonard, 1998).

The study by Cressey and Moore (1983) did not address the question of effectiveness; they concluded that codes of conduct were not well written, communicated, or enforced, and therefore could not be greatly effective. In an empirical investigation into whether organisational codes of conduct really affected employees' behaviour, Ford, Gray and Landrum (1982) concluded that codes were basically ineffective.

At present, as discussed in the literature review, the corporate code of ethics is seen as one of the most important tools organisations possess for increasing their employees' ethical decision-making behaviour (Cleek & Leonard, 1998). Also, as shown in another study, the corporate code of ethics was found in 93 per cent of businesses to be the most beneficial tool for attaining the organisational goals of improving social responsibility, employee behaviour, management, and corporate culture (Robin et al, 1989). Furthermore, the adoption of business codes has been found to be the most effective measure for encouraging ethical business behaviour.

Cleek and Leonard (1998) claimed that codes of ethics did not seem to be powerful enough as tools to affect ethical decision-making behaviour. One of the reasons for this result might be that, as Bowman talked about in his article (1981), it is not so much that organisations should have corporate codes of ethics, but that emphasis should be placed on how the codes are communicated, enforced, and used, as a basis for strengthening the culture of the organisation.

In their book *In Pursuit of Ethics*, Ferrell and Gardiner (1991) make the following suggestions for improving ethical behaviour:

1. Offer training programmes that independently and explicitly address specific treatment of ethical issues
2. Limit the opportunity to engage in unethical behaviour by providing a well developed structure, and a system of checks and balances, including explicit penalties for unethical behaviour
3. Let employees know what penalties the company imposes on those who engage in unethical behaviour
4. Recognise how the behaviour of co-workers and superiors can influence the behaviour of other employees in the organisation
5. Develop an ethics committee to address new issues, and help establish and evaluate existing codes and policies (in bigger organisations)
6. Develop a code of ethics, or ethical policies, that are communicated widely and enforced

Cleek and Leonard (1998) asserts that a code of ethics should serve as the foundation upon which employees make decisions based on honesty, integrity, confidence and trust. This written code provides the employees with an understanding and knowledge of what their organisation expects of them in terms of responsibilities and behaviour. The code also reflects corporate standards, and establishes realistic modes of behaviour that apply to everyone in the company, from the board of directors to the newest employee. The reputation of an organisation, and its actions, reflect the ethical conduct that affects its potential for profit and growth. Every level of employees needs to be aware of company policies on ethics so that individuals are able to make the right decisions in difficult business situations; to know how and when to seek help when faced with ethical dilemmas; and to know where to report any unethical conduct.

A study by Farrell et al (2002a) aimed to measure the consistency between the behavioural patterns among employees and the presence of particular mainstreaming criteria. The study found that there was no visible association between the consistency ratings of the enterprises and the presence or absence of their particular mainstreaming criteria. The mainstreaming criteria included: code in use, date of code, code distribution, ethics training, and ethics officer. Based on the analyses, it was suggested that the strongest ethical culture affecting behaviour in these corporations came from an external, shared environment.

Further to determining the behavioural affects of codes of ethics, a study was done on Canadian companies to determine whether an organisation's management control systems played an important role in directing and influencing employees to pursue ethical behaviour (Lindsay, Lindsay and Irvine, 1996). Components of management control systems were identified as the following:

- Specifying and communicating objectives
- Monitoring performance (feedback/control)
- Motivation by linking rewards to performance

Limitations were experienced during this study. However, the conclusion was that leadership and culture might play a more important part in influencing ethical behaviour than the formal management control systems (Lindsay et al, 1996).

To illustrate how management could examine corporate integrity, research by Kaptein and Avelino (2005) examined the relationship between organisational climate and unethical behaviour. Results of the survey conducted by KPMG in 2000 were used as a benchmark for measuring the ethics of corporate clients (KPMG, 2000). Kaptein and Avelino offered guidelines for management in terms of ethical leadership.

3.5 CONCLUSION

The best test of the effectiveness of a code of ethics is whether it is practised. When management's preferences, value judgement, and operating styles are consistent with the highest standards of ethical behaviour, the organisation is better positioned to sustain an excellent reputation that attracts and retains customers, as well as talent and capital required to grow the business and create enterprise value. In every industry, strong corporate ethics breed positive business results.

Greater understanding is needed of the process by which corporate codes of ethics influence employee behaviour. The study by Adams et al (2001) suggests that the existence of a corporate code of ethics has a significant influence on the perceptions employees have about ethics in their organisation. Although further research is needed into various design features of ethical codes, it appears that the most critical issue is whether an organisation has a formal code of ethics.

CHAPTER 4
RESEARCH METHODOLOGY

4.1 RESEARCH PROBLEM

The main research problem is to measure the effectiveness of the code of ethics. In the preliminary literature review, it was clear that various studies had been conducted on the topic of codes of ethics and their impact on the behaviour of employees and the subsequent ethical climate of companies. However, the research has not been within a South African context, nor has it been based in the context of the Sarbanes-Oxley Act. The behavioural changes as a result of the implementation of a code of ethics have been researched, but there has been insufficient research into the impact of the content on the effectiveness of the code of ethics: i.e. the length the code, its tone, and the use of examples in it.

4.2 DELIMITATIONS AND LIMITATIONS

The research paper is confined to companies in South Africa that are listed on Johannesburg Stock Exchange, but also include companies that are required to comply with the Sarbanes-Oxley Act.

As the study used secondary data, the researcher attempted to be objective in analysing the data.

4.3 RESEARCH DESIGN

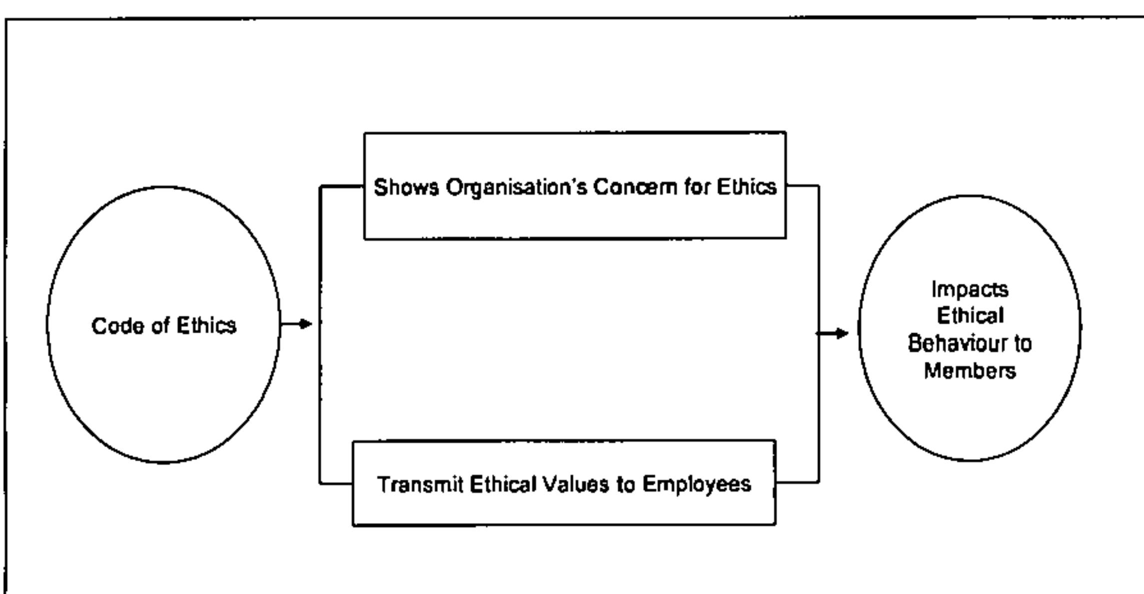
Several theorists suggest that ethical behaviour could be influenced by a code of ethics (Schwartz, 2004). Studies focusing on the behavioural aspects have been conducted in America, Europe, and Asia (Somers, 2001; Adams et al, 2001). Since Nigeria, Kenya, and Cameroon were rated among the most corrupt countries in the world, a similar study was undertaken in Nigeria (Okpara, 2003).

The Ethics Resource Centre study (1994), as quoted by Schwartz (2004), suggests that a code of ethics, while necessary, is insufficient as a means of encouraging ethical behaviour among employees. Schwartz (2004) maintains that the existence of a code of ethics alone is unlikely to influence behaviour, and suggests further research into the code content, and the process followed in an effort to understand whether and how codes of ethics influence behaviour.

The researcher believes that little research has been done in a South African context into code content and the implications for code effectiveness.

The research framework by Trevino and Nelson (1995) indicates that there is a linkage between organisational codes of ethics and employee behaviour. The research framework suggests that the implementation of a code of ethics is an indication that the organisation is serious about ethics, and that the code of ethics has an impact on the behaviour of employees.

Figure 4.1: Linkage between organisational codes of ethics and employee behaviour



Source: Trevino and Nelson (1995)

To measure its effectiveness, the researcher focused on the following elements of the code of ethics:

- Purpose
    - Internal purpose
    - External purpose
- Form
    - Aspirational
    - Directional
- Examples
- Tone
    - Positive
    - Negative
- Length
- Relevance
- Realism
- Rationale
- Ethical values or standards
- Prescriptions or prohibitions
- Sanctions

4.4 RESEARCH METHOD

This study utilises qualitative research methods and secondary data analysis techniques. Secondary data include both quantitative and qualitative data, and they can be used in both descriptive and explanatory research (Saunders, Lewis and Thornhill, 2003).

The study focuses on companies listed on the JSE and includes South African companies listed on the New York Stock Exchange that have to comply with the Sarbanes-Oxley Act. The sample size was selected on a stratified probability basis from the listed companies that made their code of ethics available on the Internet. A sample of codes of ethics that are compliance and value based was selected.

For the purpose of the analysis, the following hypotheses were formulated:
Null hypothesis:

H_0= there is a significant difference between codes of ethics that are value-based in nature and codes of ethics that are compliance-based in nature.

Alternative hypothesis:

H_1= There is no significant difference between codes of ethics that are value-based in nature and codes of ethics that are compliance-based in nature.

The guidelines in the King II Report, together with criteria identified by Schwartz (2004), were used as criteria for analysis of the sample selected.

Purpose

The purpose of the code could be both internal and external. The external purpose would be directed at consumers/customers or society at large, the government, and potential litigants.

The internal purpose would be to set standards or morally acceptable behaviour in the organisation. The code of ethics could also be used internally to give guidance on moral decision-making, and to promote integration and co-ordination in the organisation.

Form

The code of ethics could be aspirational or directional. An aspirational code is a concise document that guides behaviour towards internal and external stakeholders. A directional code of ethics is a lengthier document that spells out clearly how people in the organisation are expected to behave.

Examples

Giving examples facilitates understanding by the employees.

Tone

The code could be written in a negative tone, or in a positive/inspirational tone.

Length

Codes should contain enough detail to give sufficient guidance on expected behaviour, as stated by Schwartz (2004).

Relevance

The code should address activities that are deemed relevant to the organisation.

Realism

To increase the legitimacy of the code, it should specify behaviour that is perceived by the employees to be realistic an attainable.

Rationale

The code of ethics should explain why it was developed, and its purpose in the organisation. It could also explain to the employees what they stand to gain from adhering to the code of ethics.

Ethical Values or Standards

This is the backbone of the code of ethics, and should equip the employees with the norms to guide organisational behaviour.

Prescriptions or Prohibitions

The code of ethics could prescribe or prohibit specific actions.

Sanctions

This is where the code of ethics stipulates the consequences of disregarding the code. In an aspirational code, the sanctions are specified in a general way; in a directional code specific transgressions and sanctions are spelt out.

4.5 DATA ANALYSIS

It is important to evaluate the suitability of secondary data sources. Most authors suggest a range of validity and reliability criteria against which to evaluate the secondary data (Saunders et al, 2003).

The following three-step process is recommended (Saunders et al, 2003):

- Assess the overall suitability of data for research questions and objectives
  - Pay attention to the validity of the measurement, as this is one of the most important criteria for the suitability of any data set
  - The other important criterion for suitability is coverage. When analysing the data, those data that are not relevant to the research questions or objectives need to be excluded
- Evaluate the precise suitability of data for the analyses that are needed to answer the research questions and meet the objectives. The method by which the data were gathered and the source will determine the reliability and validity. Provided that the method of gathering data remains constant in terms of people gathering it and the procedures used, the measurement bias should remain constant
- Judge whether to use the data based on an assessment of cost and benefits in comparison with alternative sources

CHAPTER 5
RESEARCH RESULTS

5.1 INTRODUCTION

The previous chapter discussed the design of the research. The research methodology was designed to measure the effectiveness of codes of ethics. This chapter focuses on the analysis and results.

In all, 14 listed companies were analysed. Of those 14 companies, four have to comply with the Sarbanes-Oxley Act. Nine of the companies were identified as value based; five as compliance based.

Table 5.1: Sample for value based code of ethics

		1	2	3	4	5	6	7	8	9
		Afrox	**Altech**	**Gold-fields**	**Kumba**	**Lonmin**	**Mass-mart**	**Naspers**	**Sasol**	**Riche-mont**
1	Compliance	No	No	No	No	No	No	No	No	No
2	Value Based	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Purpose	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Internal Purpose	X		X	X	X	X			
5	External Purpose		X					X	X	X
6	Form - Aspirational	No	Yes	No	Yes	No	No	Yes	Yes	No
7	Form - Directional	Yes	No	Yes	No	Yes	Yes	No	No	Yes
8	Examples	Yes	No	Yes	No	Yes	Yes	No	No	No
9	Tone - Positive	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
10	Tone - Negative	No	No	Yes	No	No	No	No	No	No
11	Length	12	1	22	1	11	12	3	1	4
12	Relevance	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes
13	Realism	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes
14	Rationale	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Ethical Values or Standards	Yes	No	Yes	No	Yes	Yes	No	Yes	Yes

		1	2	3	4	5	6	7	8	9
		Afrox	**Altech**	**Gold-fields**	**Kumba**	**Lonmin**	**Mass-mart**	**Naspers**	**Sasol**	**Riche-mont**
16	Prescriptions or Prohibitions	No	No	Yes	No	Yes	Yes	No	No	No
17	Sanctions	No	No	Yes	No	No	Yes	No	No	No

Table 5.2: Sample for compliance based code of ethics

		1	2	3	4	5
		AECI	**Johnnic**	**Mittal Steel**	**Reunert**	**DRD Gold**
1	Compliance	Yes	Yes	Yes	Yes	Yes
2	Value Based	No	No	No	No	No
3	Purpose	Yes	Yes	Yes	No	Yes
4	Internal Purpose	X	X	X	X	X
5	External Purpose					
6	Form - Aspirational	No	No	No	No	No
7	Form - Directional	Yes	Yes	Yes	Yes	Yes
8	Examples	Yes	Yes	Yes	No	Yes
9	Tone - Positive	No	No	Yes	Yes	No
10	Tone - Negative	Yes	Yes	No	No	Yes
11	Length	4	10	6	1	15
12	Relevance	Yes	Yes	Yes	No	Yes
13	Realism	Yes	Yes	Yes	No	Yes
14	Rationale	Yes	Yes	Yes	No	Yes
15	Ethical Values or Standards	Yes	Yes	Yes	No	Yes
16	Prescriptions or Prohibitions	Yes	Yes	Yes	No	Yes
17	Sanctions	Yes	Yes	No	No	Yes

5.2 PURPOSE

The purpose of the code could be both internal and external.

Value Based

Only two codes described the purpose of the code in detail; it was implied in the remaining codes. The external purpose would be directed at consumers/customers or society at large, the government, and potential litigants. The internal purpose would be to determine standards or morally acceptable behaviour in the organisation.

The code of ethics could also be used internally guide employees in moral decision-making, and promote integration and co-ordination in the organisation.

The sample included four codes of ethics that were directed at consumers, customers, or society at large. The five remaining codes gave employees guidance on standards or morally acceptable behaviour in the organisation.

Compliance Based

All the codes but one described the purpose of the code in detail. All five of the compliance based codes of ethics described their purpose as internal, meaning that the purpose was to give guidance on moral decision-making.

5.3 FORM

The code of ethics could be aspirational or directional. An aspirational code is a concise document that guides behaviour towards internal and external stakeholders. A directional code of ethics is a lengthier document that spells out clearly how people in the organisation are expected to behave. According to the guidelines in the King II Report (Institute of Directors, 2002) the aspirational code is usually a brief document that spells out the ethical values that guide behaviour towards internal and external stakeholders.

The benefits of an aspirational code include the following (Institute of Directors, 2002):

- It is concise, so the contents are easy to remember
- Being brief, it does not contain much detail and so is less likely to be confusing
- It does not spell out every single moral action, and so shows respect for the maturity and discretion of people to apply these values as they see fit

The weaknesses of an aspirational code include the following (Institute of Directors, 2002):

- Its generalised nature does not give specific guidance on what is expected of organisational members in morally complex situations
- This also makes it difficult to specify the consequences for someone who disregards the code, which might make it hard to enforce

The directional code has obvious strengths (Institute of Directors, 2002):

- It is specific; it gives clear guidance to everyone in the organisation and leaves little room for misinterpretation
- It is easy to enforce; it can spell out the consequences for someone, if they were to contravene the code

The directional code also has some weaknesses (Institute of Directors, 2002):

- The code tends to be lengthy, which makes the contents difficult to remember
- It does not allow for discretion

Value Based

During the research it was found that not all the codes of ethics that were aspirational in form were value based in nature. The distinction between aspirational and directional codes was the length of the code itself. It was also found that codes that were lengthier were directional in form. The length of the codes of ethics in the sample varied from one-page to 22-page documents.

In the sample tested for value based codes of ethics, four were aspirational in form and five were directional. The directional codes were detailed and gave guidance on ethical behaviour, whereas the aspirational codes were concise and explained the requirements for ethical behaviour at a high level, linked to the values of the company.

Compliance Based

During the research it was found that all codes of ethics that were compliance based were directional in form. The directional form of codes is extended documents containing specific guidelines on the behaviour expected of employees. One code in the sample of five was directional, but not an extended document: it contained little information in describing what was expected of the employees, although it set out the expected conduct on a high level.

5.4 EXAMPLES

Giving examples facilitates understanding by the employees.

Value Based

Only four of the sample of nine value based codes of ethics gave examples. These described, for example, what constituted conflict of interest; gave detailed information regarding gifts, outside business interests, and use of company services and property.

Compliance Based

All but one of the sample of compliance based codes of ethics gave examples. These gave detailed definitions of gifts, favours, relationships with clients, and intellectual property.

5.5 TONE

The code could be written in either a negative tone, or a positive/inspirational tone. The tone of the code could have an impact on its effectiveness.

Value Based

A value based code of ethics that is aspirational in form should have a positive and supportive tone, as it is intended to inspire employees of the organisation. The research found that only one code in the sample of nine was written in negative tone.

Compliance Based

Of the sample selected for compliance based codes of ethics, two codes were found to be written in positive tone; three were found to be written in negative tone.

5.6 LENGTH

Codes should contain enough detail to give sufficient guidance on expected behaviour, as stated by Schwartz (2004).

Value Based

The sample selected for value based codes of ethics varied from one-page to 22-page documents. The researcher found that the lengthy documents explained ethical behaviour in detail, giving examples, whereas the one-page document explained the company values in detail, but gave no details of ethical behaviour requirements.

Compliance Based

The sample selected for compliance based codes of ethics varied from one-page to 15-page documents. The researcher found that the lengthy documents explained ethical behaviour in detail, giving examples, whereas the one-page document gave no details of ethical behaviour requirements.

5.7 RELEVANCE

The code should address activities that are deemed to be relevant to the organisation.

Value Based

Two of the nine codes of ethics were generalised. They did not give enough information to determine the relevance, and gave information only on the organisational values. The remaining seven codes in the sample gave enough information to determine the relevance, and gave examples relevant to the industry and the company.

Compliance Based

Four of the five codes gave enough information to determine the relevance, and gave examples that were relevant to the industry and the company. One code of ethics did not give enough detail to determine the relevance.

5.8 REALISM

To increase the legitimacy of the code, it should specify behaviour that is perceived by the employees to be realistic and attainable.

Value Based

Two of the nine codes of ethics were generalised. They did not give enough information to determine whether the code was realistic, and gave information only on the organisational values. The remaining seven codes in the sample gave enough information to determine that the code was realistic and attainable.

Compliance Based

Four of the five codes gave enough information to determine that they were realistic and attainable. One code did not give enough detail to determine whether it was realistic.

5.9 RATIONALE

The code of ethics should explain why it was developed, and the purpose of the code in the organisation. It could also explain to the employees what they stand to gain from adhering to the code.

Value Based

Seven of the nine value based codes of ethics explained why they had been developed.

Compliance Based

Four of the five compliance based codes of ethics explained why they had been developed.

5.10 ETHICAL VALUES OR STANDARDS

This is the backbone of the code of ethics, and should equip the employees with the norms to guide organisational behaviour.

Value Based

Only five of the sample of nine for value based codes of ethics equipped the employees with the norms that would guide organisational behaviour.

Compliance Based

Four of the five compliance based codes of ethics equipped the employees with the norms that would guide organisational behaviour.

5.11 PRESCRIPTIONS OR PROHIBITIONS

The code of ethics could prescribe or prohibit specific actions.

Value Based

Only three codes prescribed in detail specific actions that were not permitted for employees: i.e. receipt of gifts, use of company service and property, and interaction with the press and other media.

Compliance Based

All the codes in the sample except one prescribed in detail specific actions that were not permitted for employees: i.e. receipt of gifts, interaction with the media, and supplier relations.

5.12 SANCTIONS

This is where the code of ethics stipulates the consequences of disregarding the code. In an aspirational code, the sanctions are specified in a general way; in a directional code specific transgressions and sanctions are spelt out.

Value Based

Only two codes of ethics spelt out that employees would be faced with disciplinary action if they breached the code of ethics. These codes also specified that breaching the code could result in termination, in accordance with the company's disciplinary codes and procedures.

Compliance Based

Three of the sample of five described the action that would be taken by the company if the code of ethics were breached.

Table 5.3: Sample of code of ethics

		1	2	3	4	5	6	7	8	9	10	11	12	13	14
		AECI	**Afrox**	**Altech**	**Gold-fields**	**Johnnic**	**Kumba**	**Lonmin**	**Mass-mart**	**Mittal Steel**	**Naspers**	**Reunert**	**Sasol**	**DRD Gold**	**Riche-mont**
1	Compliance	Yes	No	No	No	Yes	No	No	No	Yes	No	Yes	No	Yes	No
2	Value Based	No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes	No	Yes
3	Purpose	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
4	Internal Purpose	X	X		X	X	X	X	X	X		X		X	
5	External Purpose			X							X		X		X
6	Form - Aspirational	No	No	Yes	No	No	Yes	No	No	No	Yes	No	Yes	No	No
7	Form - Directional	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes	Yes
8	Examples	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	No	No	No	Yes	No
9	Tone - Positive	No	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
10	Tone - Negative	Yes	No	No	Yes	Yes	No	No	No	No	No	No	No	Yes	No
11	Length	4	12	1	22	10	1	11	12	6	3	1	1	15	4
12	Relevance	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
13	Realism	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
14	Rationale	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
15	Ethical Values or Standards	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes
16	Prescriptions or Prohibitions	Yes	No	No	Yes	Yes	No	Yes	Yes	Yes	No	No	No	Yes	No
17	Sanctions	Yes	No	No	Yes	Yes	No	No	Yes	No	No	No	No	Yes	No

CHAPTER 6

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter presents the concluding remarks and recommendations on the measurement of the effectiveness of codes of ethics.

6.2 CONCLUSION

Previous studies found that an established code of ethics could have an impact on the behaviour of employees. Recent corporate scandals world wide have brought closer focus to bear on the code of ethics. As a guideline, King II recommends that every company listed on the JSE should have a code of ethics. Legislative developments, such as the Sarbanes-Oxley Act in the US, require publicly held companies to disclose in their annual report whether they have adopted a code of ethics. This increase in emphasis on codes of ethics also moved the focus of research from looking at the mere existence of a code of ethics, to considering the role of its content in the effectiveness of the code.

Purpose

The lack of a clear, documented purpose of the code of ethics could lead to non-compliance with the code by employees, as they could be in disagreement with the content.

Form

The inclusion of specific details and clear guidance in a directional code of ethics tends to improve its effectiveness, whereas the conciseness of the aspirational code could make its contents easier to remember, and so improve its effectiveness. A combination of directional and aspirational codes of ethics could have a more positive influence on the effectiveness by including specific guidelines in a concise manner.

Examples

To improve the employees' understanding of ethical behaviour, it is important to include examples. Giving examples has been found to improve the effectiveness of the code of ethics.

Tone

Codes of ethics that are negative in tone have been found to do little to inspire employees to behave in an ethical manner. However, previous research found that codes should be negative in tone, as the code of ethics is a controlling document. Research also suggests that a code that is written in positive or open-ended language, as opposed to clear and specific negative language, has a greater potential for misinterpretation in a manner that permits inappropriate activity (Schwartz, 2004).

Length

The ideal length for a code of ethics is one that provides employees with enough detail to act as a reference for them. Nevertheless, it should avoid being cumbersome and therefore less likely to be read and complied with.

Relevance

Codes of ethics that give examples that are relevant to the company are read and remembered, which has an impact on their effectiveness.

Realism

Codes that are seen as realistic, employees will perceive as being legitimate.

Rationale

According to King II (Institute of Directors, 2002), the rationale of the code of ethics is to convince the readers of the importance of the code by explaining what everyone stands to gain from adhering to it.

Ethical Values or Standards

Codes of ethics that describe the ethical value or standards, guide organisational behaviour and influence the effectiveness of the code of ethics.

Prescriptions or Prohibitions

Codes of ethics that describe specific actions that are either prescribed or prohibited in terms of the code give the employees explicit direction regarding the ethical behaviour that is expected of them.

Sanctions

A reward for ethical behaviour is a stronger incentive to adhere to the code than any sanction. Rewards therefore improve the effectiveness of the code of ethics.

An effective code of ethics should also form part of an ethics management programme.

6.3 RECOMMENDATIONS

A study by the Ethics Resource Centre (1994) found that when a code of ethics was the only element of an ethics programme, this had a negative effect on employee perceptions of ethical behaviour. According to Gibbs (2003), implementing a successful code of ethics depends on these key elements: proper definition, effective communication, and appropriate warning signals as monitoring tools. According to Gibbs (2003), the best test of the effectiveness of the code of ethics is whether it is practised. *'When management's preferences, value judgements and operating styles are consistent with the highest standards of ethical behaviour, the organisation is better positioned to sustain a quality reputation that attracts and retains customers, talent and capital required to grow the business and create enterprise value'* (Gibbs, 2003).

The Ethics Institute of South Africa (2005) has suggested an ethics management programme based on the US Federal Sentencing Guidelines for Organisations, and on the King II Report. Hoffman (in Dippenaar, 2005a) also offers guidelines for an ethics management programme. These two sets of guidelines, accompanied by practical examples, should be combined to form an ethics management programme.

6.3.1 Obtain Senior Management Commitment

Responsibility for the ethics management programme should be assigned to senior staff. The ethics officer needs to understand ethics; should report directly to the CEO of the company; and endorses every communication, to show their commitment to the process. This person should also portray ethical values – walk the talk, not just talk the talk.

Senior managers have to make a commitment to the ethics programme, and to demonstrate this they need to reinforce the guidelines during interaction with their peers and subordinates.

An ethics committee should be established, comprising executive members with an ethics champion. Their goals and milestones, together with their vision and mission, have to be communicated clearly to all the staff. Social & Ethical Accounting, Auditing and Reporting (SEAAR) provides the ethics committee with the following checklists (Dippenaar, 2005b).

Checklist for Organisational Support of Ethics

- Is executive and supervisory leadership involved?
- Are employees heard and treated fairly?
- Do you encourage discussions about ethics?
- Is stakeholder analysis part of daily decision-making?
- Are your organisation's 'heroes' ethical?
- How would employees and customers describe the organisation?

Checklist for Values

- Can you think of any ethical value that characterises the organisation?
- Have you ever assessed which values are central to the organisation's purpose?
- Are there contradictory elements in the organisation?
- Can you think of a central/pivotal value that addresses this contradiction?

Checklist for Leadership

- How often does the leadership refer to ethics in their communication with employees?
- Are the leaders facilitators or instructors?
- Are all the members of the organisation seen as stewards, custodians?
- Are the leaders open to communication, even criticism?
- Are there any instances where leadership sacrificed profits for ethical considerations?

Checklist to Evaluate the Success of your Code of Ethics Process

- Did employees give input?
- Is your code based on VALUES that live in the organisation?
- Did you benchmark against peers?
- Is training given on code content?
- Do you have a helpline and hotline?
- Is management walking the talk?
- Is the ethics process seen as part of 'real work' in the organisation?
- Does it translate into daily practices?

6.3.2 Assess Organisational Values and Vulnerabilities

Senior management should be interviewed individually before the code of ethics is drafted, in order to gain an understanding of the company's values and vulnerabilities. Focus groups representing all the business units should be used to formulate the code of ethics, so as to ensure that all the stakeholders are involved.

6.3.3 Set up an Organisational Ethics Infrastructure

Education and Training

The code of ethics should be part of the company's orientation programme. The training of every new employee would therefore include the development and application of the ethics programme. All the staff also need to attend regular refresher courses. In addition, this training course should available online, to enable employees to go back and review their understanding and knowledge of the code of ethics. Furthermore, the training programme should be practical, and based on real life situations.

The ethics management programme should be reviewed during management training sessions.

To ensure commitment and buy-in, staff should be part of the review of the ethics policies.

Performance appraisal should include performance against the code of ethics, and be linked to incentive schemes. Employees who are found, during the performance review process, to lack knowledge and awareness of ethical values should be required to take the online course.

Copies of the code should be circulated to all the internal and external stakeholders; be attached to new customer application forms; and be a requirement for the preferred supplier listing.

Communication

A week-long ethics awareness campaign should be run, and launched with a presentation by the chairperson of the ethics committee. Posters signed by senior management as a pledge of commitment could be displayed in strategic places. Each business unit would also be responsible for awareness in their section. During this awareness week, employee screensavers could consist of messages about the ethics hotline and whistle-blowing line, as well as the company's values and code of ethics. Booklets, brochures and questionnaires should be available on the external Web sites, and on the intranet. Regular updates and ethics related stories should be published in the internal newsletter, which could also run an ethics competition (with prizes) to raise awareness. Furthermore, ethics should be a set item on the agenda of staff meetings.

Ethics Line

An ethics hotline should available for guidance and advice, and a whistle-blowing line for the reporting of misconduct. The procedure for reporting misconduct would be communicated to employees during the training programme, and provided on the intranet under the Ethics Management Programme.

Procedures for administering the line should be drafted by the ethics committee, and addressed by means of workshops with employees to ensure buy-in.

Monitoring

The ethics appetite of the company should be monitored by means of regular ethics audits, which would identify risks, and compliance audits that would identify trends. Audits should also be done during exit interviews – again to determine trends and risks. The results of the audits would be used to re-evaluate the goals and content of the ethics management programme, which in turn would be used to amend the programmes and strategies.

Reporting

Misconduct reported to the whistle-blowing line should be reported to the ethics officer. All the employees would have to be treated equally, and action taken immediately on incidents reported. To ensure that all misconduct is reported, that reporting is done openly and honestly, and that employees do not fear retaliation from management, the staff should be made aware that whistleblowers are protected by the Protected Disclosures Act, and that there are rewards for reporting misconduct. Status reports should be compiled monthly, based on independent feedback from the business.

Ethics Office Issues

An ethics officer should be assigned in an ethics office. This person would have to be trained in matters of ethics at the company; keep abreast of current legislation and trends; and be responsible for the resolution of ethical dilemmas. The ethics hotline and whistle-blowing line would report to the ethics officer.

6.3.4 Integrate Ethics into the Culture of the Organisation using the Ethics Infrastructure – creating a common sense of ethics in the organisation

The company has a clear vision and picture of integrity throughout the organisation. Top management should embody and take ownership of that vision; the reward system would be aligned with it, as would the company policies and procedures. Decisions in the company should be taken in accordance with the code of ethics. Both formal and informal structures should be in place for reporting misconduct, i.e. whistle-blowing line and ethics committee.

REFERENCES

Adams, JS, Tashchian, A, & Stone, TH. 2001: Codes of Ethics as Signals for Ethical Behaviour. *Journal of Business Ethics*, 29: 199-211.

Armstrong, P. 1995: The King Report on Corporate Governance. *Boardroom*, 1:16-20.

Benson, G. 1989: Code of Ethics. *Journal of Business Ethics*, 8(5): 305-319.

Bowman, J. 1981: The Management of Ethics: Codes of Conduct in Organisations. *Public Personnel Management Journal*, 59-64.

Cadbury, A. 1999: *Corporate Governance Overview*. World Bank Report.

Cleek, MA & Leonard, SL. 1998: Can Corporate Codes of Ethics Influence Behaviour? *Journal of Business Ethics*, 17: 619-630.

Cressey, DR, & Moore, CA. 1983: Managerial Values and Corporate Codes of Ethics. *California Management Review*, 25(4): 53-77.

De George, RT. 1999: *Business Ethics*. 5th Edition. Englewood Cliffs, NJ: Prentice Hall.

Dippenaar, L. 2005a: *Managing Ethics and Good Governance*. Unpublished.

Dippenaar, L. 2005b: *Social and Ethical Accounting, Auditing and Reporting*. Unpublished.

Ethics Institute of South Africa. 2005: *Total Ethics Management Programme*. http://www.ethicsa.org. Accessed on 2005/08/11.

Ethics Resource Centre. 1994: *Ethics in American business: Policies, Programs and Perceptions* (Washington, DC).

Farrell, BJ. Cobbin, DM & Farrell, HM. 1996: A Content Analysis of Codes of Ethics in Australian Enterprises. *Journal of Managerial Psychology*, 11(1): 37-50.

Farrell, BJ, Cobbin, DM & Farrell, HM. 2002a: Can Codes of Ethics Really Produce Consistent Behaviours? *Journal of Managerial Psychology*, 17(6): 468-490.

Farrell, BJ, Cobbin, DM, & Farrell, HM. 2002b: Codes of Ethics: Their Evolution, Development and other Controversies. *Journal of Management Development*, 21(2): 152-163.

Ferrell, OC & Gardiner, G. 1991: *In Pursuit of Ethics*. Springfield, Illinois: Smith Collins Company.

Ford, RC, Gray, B & Landrum, R. 1982: Do Organisational Codes of Ethics of Conduct really Affect Employees' Behaviour? *Management Review*, 53.

Frankel, M. 1989: Professional Codes: Why, How and With What Impact? *Journal of Business Ethics*, 8(2): 109-115.

Gibbs, E. 2003: Developing an Effective Code of Conduct. *Financial Executive*, 19(4): 40.

Gustafsson, C. 1988: Om foretag, moral och handling. Stockholm: Studenteliettertur.

Hendrikse J & L. 2004: *Business Governance Handbook, Principles and Practice*. 1st Edition. Cape Town: Juta & Co.

Hicks, B. 1999. Developing a Code for Corporate Ethics. *Australian CPA*, 69(9): 22.

Hite, RE, Bellizzi, JA & Fraser, C. 1988: A Content Analysis of Ethical Policy Statement Regarding Marketing Activities. *Journal for Business Ethics*, 7: 771-776.

Institute of Directors. 2002: King Report on Corporate Governance for South Africa 2002. Parktown: Institute of Directors.

Kaptein, M & Avelino, S. 2005: Measuring Corporate Integrity: A Survey-based Approach. *Corporate Governance*, 5(1): 45-54.

KPMG. 2000: *Ethics Survey: Managing for Ethical Practice*. Toronto, Ontario.

Langlois, C & Schlegelmilch, B. 1990: Do corporate Codes of Ethics Reflect National Character? Evidence from Europe and the United States. *Journal of International Business Studies,* 519-539.

Lefebvre, M & Singh, JB. 1992: The Content and Focus of Canadian Corporate Codes of Ethics. *Journal of Business Ethics,* 11: 799-808.

Lindsay, RM, Lindsay, LM, & Irvine, VB. 1996: Instilling Ethical Behaviour in Organizations: A Survey of Canadian Companies. *Journal of Business Ethics*, 15: 393-407.

Marnburg E. 2000: The Behavioural Effects of Corporate Ethical Codes: Empirical Findings and Discussion. *Business Ethics: A European Review*, 9(3): 200-210.

Mathews, CM. 1987: Code of Ethics: Organisational Behaviour and Misbehaviour, in W.F. Frederick (Ed). *Research in Corporate Social Performance and Policy,* 9: 107-130.

Mcdonald, G & Nijhof, A. 1999: Beyond Codes of Ethics: An Integrated Framework for Stimulating Morally Responsible Behaviour in Organisations. *Leadership and Organisation Development Journal*, 20(3): 133-146.

Mortensen, R, Smith, J & Cavanagh, G. 1989: The Importance of Ethics to Job Performance: An Empirical Investigation of Managers' Perceptions. *Journal of Business Ethics,* 8: 253 -260.

Murphy, PE. 1995: Corporate Ethics Statement: Current Status and Future Prospects. *Journal of Business Ethics*, 14: 727-740.

Okpara, J. 2003: *Can Corporate Ethical Codes of Conduct Influence Behaviour? An Exploratory Study of Financial Managers in a Developing Economy.* Brussels: SBA. Http://www.Sba.Muohio.Edu/Abas/2003/Brussels/Okpara_Ethical%20codes%20of%20conduct%20and%20employeebehavior.Pdf. Accessed on 2005/08/12.

Punch, M. 1996: *Dirty Business: Exploring Corporate Misconduct.* London: Sage Publications.

Robin, D, Giallourakis, M, David, F & Moritz, T. 1989: A Different Look at Codes of Ethics. *Business Horizons*, 66 -73.

Saunders, Lewis & Thornhill. 2003: *Research Methods for Business Students.* 3rd Edition. Essex: Prentice Hall.

Schlegelmilch, B & Houston, J. 1989: Corporate Codes of Ethics in Large UK Companies: An Empirical Investigation of Use, Content and Attitudes. *European Journal of Marketing*, 23(6): 7-24.

Schwartz, M. 2001: The Nature of the Relationship Between Corporate Codes of Ethics and Behaviour. *Journal of Business Ethics*, 32: 247-262.

Schwartz, M. 2004: Effective Corporate Codes of Ethics: Perception of Code Users. *Journal of Business Ethics*, 55: 323-343.

Six Sigma Tutorial. 2004: *Sarbanes Oxley Tutorial - SOX Compliance Information*: W3C. http://Sixsigmatutorial.Com/SOX/Sarbanes-Oxley.Asp. Accessed on 2006/04/17.

Solomon, RC. 1994: *Above the Bottom Line.* 2nd Edition., Fort Worth, Texas: Harcourt Brace.

Somers, MJ. 2001: Ethical Codes of Conduct and Organizational Context: A Study of the Relationship Between Code of Conduct, Employee Behaviour and Organizational Values. *Journal of Business Ethics*, 30:185-195.

Stead, EW, Worrell, DL. & Stead, JG. 1990: An Integrative Model for Understanding and Managing Ethical Behaviour in Business Organisations. *Journal of Business Ethics*, 9: 233-242.

Velasquez, MG. 2002: *Business Ethics Concepts and Cases.* 5th Edition. Upper Saddle River, NJ: Prentice Hall.

Wood, G. 2000: A Cross Cultural Comparison of the Contents of Code of Ethics: USA, Canada and Australia. *Journal of Business Ethics*, 25(4): 287-298.

Wulfson M. 1998: Rules of the Game: Do Corporate Codes of Ethics Work? *Review of Business*, 20:1-9.

ADDITIONAL READING

Bentley, R. 2005: Gaining the Upper Hand. *Personnel Today*, April 5: 25.

Blank, D. 2003: A Matter of Ethics. *The Internal Auditor*, 60(1): 26.

Boyd, C. 1996: Ethics and Corporate Governance: The Issues Raised by the Cadbury Report in the United Kingdom. *Journal of Business Ethics,* 15(2): 167.

Carroll, A & Buchholtz A. 2003: *Business & Society: Ethics and Stakeholder Management.* 5th Edition. USA: Thomson South Western.

Chapman, C. 2003: Let There Be Light. *The Internal Auditor*, 60(1): 38.

Collier, J & Roberts, J. 2001: An Ethic for Corporate Governance. *Business Ethics Quarterly,* 11(1): 67-71.

Diacon, SR & Ennew, CT. 1996: Can Business Ethics Enhance Corporate Governance? Evidence from a Survey of UK Insurance Executives. *Journal of Business Ethics*, 15: 623-634

Dott, C. 2004: Living in Glass Houses: Good Governance and How to Achieve It. ITWEB. Accessed on 31 March 2006. www.itweb.co.za

Entine, J. 1996: Corporate Ethics and Accountability at Work. September/October.

Finamore, C. 2005: Common Good Common Sense. *The Internal Auditor*, 62, 4: 35.

Gori, G. 2004: Re-examining Sarbanes-Oxley. Business Mexico, 14, 10: 44.

Howard, K. 1996: *Checking Ethical Behaviour: Accountant's Limitations.* Management Accounting.

Irvine, B & Lindsay, L. 1993. Corporate Ethics and the Controller. *CMA Magazine*, December/ January: 67, 10.

Jackson, N & Carter, P. 1994: Looking Forward to the Past of Business Ethics. *Industrial and Commercial Training*, 26, 10: 23-25.

Jennings, MM. 2005: Conspicuous Governance Failures: Why Sarbanes-Oxley is Not an Ethics Warranty. Internal Auditing, Jul/Aug, 20,4: 14.

Kraler, J. 2002: Responsibility, Accountability and Governance. *Business Ethics: A European Review*, 11(2).

Lere, JC & Gaumnitz, BR. 2003: The Impact of Codes of Ethics on Decision Making: Some Insights from Information Economics. *Journal of Business Ethics*, 48: 365-379.

Mcnutt, PA & Batho, CA. 2005: Code of Ethics and Employee Governance. *International Journal of Social Economics*, 32(8): 656-666.

Melrose-Woodman, J & Kverndak, J. 1976: Towards Social Responsibility: Company Codes of Ethics and Practice. *London: British Institute of Management Survey Report*, 28.

Myers, R. 2003. Ensuring Ethical Effectiveness. *Journal of Accountancy*, 195(2): 28.

OCEG. 2003: Business Leader forms Ethics Organisation. www.oceg.org. Accessed on 31 March 2006.

Paine, L, Deshpande, R, Margolis, JD & Bettcher, KE. 2005. Up to Code: Does Your Company's Conduct Meet World-class Standards? *Harvard Business Review*, December.

Robertson, I. 2005. In My Opinion. *Management Today*, Aug 2005: 6.

Rossouw, GJ. 2005: Business Ethics and Corporate Governance in Africa. *Business and Society,* 44, 1:94.

Sinason, DH. 2005: Auditing the Ethical Environment. *Internal Auditing,* Nov/ Dec. 20, 6: 3.

Sison, AJG. 2000: Integrated Risk Management and Global Business Ethics. *Business Ethics: A European Review*, 9(4).

Stevens, B. 1994: An Analysis of Corporate Ethical Code Studies: Where do we go from Here? *Journal of Business Ethics,* 13: 63-69.

Strier, F. 2005: Conflicts of Interest in Corporate Governance. *The Journal of Corporate Citizenship*, 19: 79.

Svensson, G & Wood, G. 2003: *The Dynamics of Business Ethics: A Function of Time and Culture* – Case.

Thomsen, S. 2004: Corporate Values and Corporate Governance. *Corporate Governance*, 4(4): 29-46.

Trevino, L. & Nelson, KA. 1995: *Managing Business Ethics.* New York: Wiley.

Verschoor, C. 1998: A Study of the Link Between A Corporation's Financial Performance and its Commitment to Ethics. *Journal of Business Ethics,* 17: 1509 - 1516.

Verschoor, C. 2003: New Evidence of Benefits from Effective Ethics System. *Strategic Finance*, 84, 11: 20.

Weaver, GR. 2001: Ethics Programs in Global Business. *Journal of Business Ethics,* 30:3-15.

Weller, S. 1988: The Effectiveness of Corporate Codes of Ethics. *Journal of Business Ethics*, 7: 389-395.

Wieland, J. 2001: The Ethics of Governance. *Business Ethics Quarterly*, 11(1): 73-87.

Winstanly, D, Woodall, J & Heery, E. 1996: Business Ethics and Human Resource Management. *Personnel Review*, 25(6): 5-12.