

## A comparative study of the contents of corporate codes of ethics in Australia, Canada and Sweden

Jang Singh<sup>a,\*</sup>, Emily Carasco<sup>b</sup>, Goran Svensson<sup>c</sup>,  
Greg Wood<sup>d</sup>, Michael Callaghan<sup>d</sup>

<sup>a</sup>*Odette School of Business, University of Windsor, Windsor, Ont., Canada N9B 3P4*

<sup>b</sup>*Faculty of Law, University of Windsor, Windsor, Ont., Canada N9B 3P4*

<sup>c</sup>*School of Business, Halmstad University, Sweden*

<sup>d</sup>*Bowater School of Management and Marketing, Deakin University, Australia*

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### Abstract

This paper reports on and analyzes the contents of 197 corporate codes of ethics (78 Australian, 80 Canadian and 39 Swedish). Among other things, it was found that the contents of the Australian and Canadian codes were similar, reflecting the similar histories and cultures (as measured by Hofstede's dimensions) of these two countries. Further, the contents of the Swedish codes were found to be very different from the Australian and Canadian codes in some areas, reflecting the cultural differences between Sweden and the other two countries.

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Two of the most important issues in business today are globalization and ethics. Globalization has led to increased business competition which is one of the factors in the increased concern over ethics in business. This study examined corporate codes of ethics in three countries: Australia, Canada and Sweden. It therefore takes a comparative look at the codification of ethics in these countries: while globalization has led to increased competition, which may lead to unethical corporate conduct, there is also the possibility that globalization has facilitated the spread of corporate ethics programs.

Codes of ethics are one aspect of such programs.

Corporate codes of ethics are one of several influences on business ethics across cultures. In a model that goes beyond philosophically based ethics, [Stajkovic and Luthans \(1997\)](#) use social-cognitive theory as a springboard to identify factors influencing business ethics standards and conduct. They propose that a person's perception of ethical standards and subsequent conduct is influenced by institutional factors (e.g., ethics legislation), personal factors (e.g., moral development), and organizational factors (e.g., code of ethics). Within the cultural context, the key antecedent factors triadically interact to influence ethical standards ([Stajkovic & Luthans, 1997](#), p. 32). The current study examines a major organizational

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\* Corresponding author. Tel.: +1 519 253 4232x3141.

E-mail address: [jang@uwindsor.ca](mailto:jang@uwindsor.ca) (J. Singh).

factor, code of ethics, across Australian, Canadian and Swedish corporations.

Langlois and Schlegelmilch define a corporate code of ethics as “a statement setting down corporate principles, ethics, rules of conduct, codes of practice or company philosophy concerning responsibility to employees, shareholders, consumers, the environment, or any other aspects of society external to the company” (1990, p. 522).

These documents vary in length, breadth of topics covered and extent to which topics are covered. Berenbeim (2000) cites three trends as evidence of the growing importance of corporate codes of ethics: the globalization of markets and the need for core principles that are universally applicable, the acceptance of these codes as part of the corporate governance as illustrated by increased participation of boards in their development and the improved ethical literacy of senior managers as illustrated by the increasing sophistication of the codes.

In some circumstances, as a condition of doing business, corporations are required to have a code of ethics. For example, listed companies on the New York Stock Exchange must not only have a code but one which covers stipulated issues and is accompanied by appropriate compliance standards and procedures (Verschoor, 2002).

There are several other business reasons for the increasing importance of corporate codes of ethics (The Global Business Responsibility Resource Centre, 2001). First, a code of ethics enhances corporate reputation and brand image. Familiarity by internal and external stakeholders with the code creates a positive impression about the business practices of the corporation. Second, the code conveys the message that the corporation is committed to ethical behavior and, in the event the company is accused of the contrary, this is seen as the exception. Third, a corporate code of ethics could rally employees around a corporate culture, the values of which are expressed in the code: a sense of community is developed among employees throughout the organization. Fourth, in some jurisdictions, having a code could lead to reduced penalties for corporations when they break the law. For example, United States Federal Sentencing Guidelines allow penalties to be reduced if a company can demonstrate an effective ethics compliance program at the time of the violation (McKenall,

Demarr, & Jones-Rikkens, 2002, p. 367). A fifth business reason underlying the growing importance of corporate codes of ethics is that it is thought that sound business practices, rooted in strong ethical foundations, will enhance development prospects in emerging economies in Africa, Asia and Latin America by establishing universal standards which transcend differences in laws and cultures (The Global Business Responsibility Resource Centre, 2001).

The need for standards which transcend differences in laws and cultures was also the driving force behind various attempts by international organizations to regulate the conduct of global corporations. The problem of differing standards is best exemplified by the fight against bribery. As Behrman (2001, p. 60) argues, “such bribery is not only a tax on business (up to 20% in some countries) but also an anti-competitive measure, given the unequal tax treatment in some countries and the criminal penalties imposed on the U.S. transnational corporations in 1997”. The United States of America, Canada, Australia and Sweden, for example, are all signatories to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and have passed enabling legislation but not all countries have followed suit (OECD, 2003).

Multinationals headquartered in countries with no laws such as the U.S. Foreign Corrupt Practices Act have an advantage in securing overseas contracts and the cost to U.S. firms in 1997 was estimated to be at least \$15 billion in contracts and German firms (*despite Germany being a signatory to the OECD Convention*) were thought to spend more than \$5 billion annually in bribes (Behrman, 2001). Inter-governmental action such as the UN’s Code on Transnational Corporations or the OECD’s Guidelines for Multinational Enterprises have not been very effective in achieving uniformity of action across countries. Action by multinationals themselves have also not been effective, e.g., the International Chamber of Commerce’s Guidelines for International Investments (1972) and Rules of Conduct on Extortion and Bribery in International Transactions (1978). What is more effective in the fight against bribery and unethical practices generally is government legislation coupled with what firms do internally (Gordon & Miyake, 2001). Foremost among the internal measures available to corporations are corporate codes of ethics.

With multinational corporations such codes govern their operations worldwide and promote uniformity. However, what is covered by such codes and commitment to enforcing them vary among corporations (Carasco & Singh, 2003), multinational or not.

Moreover, there is some disagreement among research findings on the effectiveness of corporate codes of ethics in influencing behavior within organizations. While it may be impossible to establish a causal relationship between codes and ethical behavior, studies have attempted to establish an association between these variables. The findings of these studies on the effectiveness of codes are mixed. Adams, Tashchian and Stone (2001) in a study of the relationship between codes and perceptions of ethical behavior found that respondents from companies with codes rate employees of their companies and themselves as more ethical than respondents from companies without codes. They also found that respondents from firms with a code saw company support for ethical behavior as being higher and were more satisfied with the outcomes of ethical dilemmas they had faced (p. 204). The existence of the codes were seen as having a positive influence on the way employees rated their firms. Somers (2001) similarly found that codes of ethics were perceived to be associated with less wrongdoings in organizations. Further, he found a statistically significant higher level of employee commitment to organizations with codes. Schwartz (2001), in a study of four large Canadian companies, found that codes of ethics are potentially a factor influencing the behavior of employees, managers and ethics officers. Stohs and Brannick (1999), in a study of 348 managing directors of Irish-owned businesses found a statistically significant relationship between the existence of corporate codes and managerial behavior: this result implies that when managers confront issues directly affecting the firm's conduct, a code partially guides managerial thinking about ethical wrongdoing (p. 322). Several other studies have found a significant relationship between codes and behaviors (e.g., Ferrell and Skinner (1988); McCabe, Trevino, & Butterfield (1996); Pierce & Henry, 1996).

Wotrumba, Chonko, and Loe (2001) found that the mere existence of codes may not influence behavior but codes can impact managers in their judgments and decision making, but only if they are familiar with the

codes contents and intentions (p. 67). Thus, the clear implication is that not only codes development and contents but implementation and monitoring are critical to their effectiveness.

Studies have also found insignificant relationships between the existence of codes and behavior. Ford, Gray, and Landrum (1982), in an empirical study of the relationship between codes of ethics and employee behavior, found little difference between the decisions made by two groups, one aware of the existence of a code and the other not. They concluded that the codes were essentially ineffective. Similarly, Clark and Leonard (1998) in a study of 150 business students found that corporate codes of ethics are not effective in determining a person's ethical decision making behavior. Mathews (1998) compared civil actions taken by four U.S. regulating agencies against corporations with codes and those without. Her sample was drawn from the most profitable manufacturing corporations in the United States and she found that contrary to expectations, there is little relationship between codes and corporate violations of government regulations. Her findings were supported by McKendall et al. (2002) who studied 108 large corporations in the United States and found that ethical compliance programs, inclusive of ethical codes, did not lessen violations of the Occupational Safety and Health Act.

Despite the mixed findings of research studies on the effectiveness of corporate codes of ethics in influencing behavior, these codes are potentially valuable in corporate decision making and also as a signal to stakeholders of organizational values. Moreover, the research findings indicate that the establishment of a code is not enough: it must be supplemented by strict compliance measures and other ethics initiatives.

In light of the comparative nature of the current study, it is useful to consider whether or not culture has an impact on the existence and nature of corporate codes of ethics. This issue was addressed by Langlois and Schlegelmilch (1990) in a study comparing European and American corporate codes of ethics. They found differences between the European and American codes, the first being that the European codes were more recently developed than the American. Moreover, they found that while most ethical issues transcend national barriers there were

differences in the issues addressed by American and European (British, French and West German) codes. In particular they concluded that European companies emphasize employee responsiveness to company activities, while firms in the United States stress company responsiveness to employee requirements of fairness and equity (p. 533). Further, the study found differences among the codes of British, French and German codes. Other researchers have also found differences in ethical beliefs across cultures. [Becker and Fritzsche \(1987\)](#) in a study of American, French, and German managers sought their views on five vignettes on coercion and control, conflict of interest, the physical environment, personal integrity and paternalism. Generally, the American managers responded differently from the European managers but there were also differences between the responses of the French and German respondents. This finding supports [Stajkovic and Luthan's \(1997\)](#) contention that the analysis of business ethical standards and resulting ethical behavioral conduct is grounded in the unique characteristics of each national culture (p. 19). In their social-cognitive model of business ethics across cultures, they propose that institutional factors, personal factors and organizational codes of ethics also influence ethical standards and conduct. However, as suggested by [Donaldson and Dunfee \(1999a\)](#) the development of universal ethical standards is desirable: managers must reject any form of relativism and respect moral free space and cultural diversity. They argue that ethics requires a balance between the universal and the particular and when the balance is lost, the moral game is up ([Donaldson & Dunfee, 1999b](#), p. 41). Their scheme categorizes most corporate codes of ethics as consistent norms, consistent in the sense that, while culturally specific, they conform with hypernorms, and other legitimate norms.

In the current study, therefore, it is important that socio-economic indicators of the three nations from which codes were collected, Australia, Canada and Sweden, be compared.

## 1. Australia, Canada, Sweden

The economies of all three countries are well developed, yet not as large as the economy of the

United States of America (USA), which stands as a colossus in world trade. "Australia has a prosperous Western-style capitalist economy, with a per capita GDP on par with the four dominant West European economies. As an affluent, high-tech industrial society, Canada today closely resembles the USA in its market-oriented economic system, pattern of production, and high living standards. Aided by peace and neutrality for the whole 20th century, Sweden has achieved an enviable standard of living under a mixed system of high-tech capitalism and extensive welfare benefits. It has a modern distribution system, excellent internal and external communications, and a skilled labor force" ([CIA Factbook, 2003](#)).

Canada's GDP is 923 billion (US\$) Purchasing Power Parity), Australia's 528 billion and Sweden's is 277.4 billion (see [Table 1A](#)). In all three countries, the services sector generates the majority of the GDP. Although Canada has a diversified economy, the services sector accounts for 2/3 of the country's output. The primary sector (agriculture and mining) is small in relation to the GDP but it is responsible for over 1/4 of the country's total exports ([Economist, 2003](#)). The services sector also dominates in Australia. The largest services industry is finance, property and business services, accounting for 17.9% of the GDP. As with Canada, the primary sector is small but important because it accounts for a significant percentage of total merchandise exports (65%) ([Economist, 2003](#)). In Sweden, the services sector generates 60% of the GDP. As with Canada and Australia, the primary sector has been diminishing in size over time. There is no real discernible difference in the GDP per capita for each country (Australia \$27,000; Canada \$29,400; Sweden \$25,400). In 2002 the inflation rate in all three countries was below 3% (see [Table 1A](#)).

As with the general population, the labour forces in Canada, Australia and Sweden vary in size with Canada having the largest (16.4 million), Australia in the middle (9.2 million) and Sweden the smallest (4.4 million). The education level of the labour forces in all three countries is high. The percentage of persons with qualifications in the age group of 15 and over in Canada is 51%, in Australia 34% and in Sweden 28%. In all three countries, the percentage of the working population with post-secondary education is over 20%. The labour force in all three countries is largely

Table 1A

Australia, Canada and Sweden: comparative economic, population and health statistics as benchmarked against the USA

	Australia	Canada	Sweden	USA
<b>Economy</b>				
Gross domestic product (purchasing power parity US\$)	\$528 billion (2002 est.)	\$923 billion (2002 est.)	\$227.4 billion (2002 est.)	\$10.45 trillion (2002 est.)
GDP real growth rate	3.6% (2002 est.)	3.4% (2002 est.)	1.8% (2002 est.)	2.4% (2002 est.)
GDP per capita (purchasing power parity US\$)	\$27,000 (2002 est.)	\$29,400 (2002 est.)	\$25,400 (2002 est.)	\$36,300 (2002 est.)
Inflation rate	2.8% (2002 est.)	2.2% (2002 est.)	2.2% (2002 est.)	1.6%
Labour force	9.2 million (December 2001)	16.4 million (2001 est.)	4.4 million (2000 est.)	141.8 million (2001 est.)
<b>Labour force by occupation</b>				
Services	73%	74%	74%	80%
Manufacturing and construction		20%		
Industry	22%		24%	18%
Agriculture	5%	3%	2%	2%
Unemployment rate	6.3%	7.6% (2002 est.)	4% (2002 est.)	5.8% (2002 est.)
<b>Population</b>				
Population	19,546,792 (July 2002 est.)	31,902,268 (July 2002 est.)	8,876,744 (July 2002 est.)	290,342,554 (July 2003 est.)
Population growth rate	0.96% (2002 est.)	0.96% (2002 est.)	0.02% (2002 est.)	0.92% (2003 est.)
Life expectancy	80 years (2002 est.)	79.69 years	79.84 years	77.14 years
Ethnic groups	Caucasian 91%, Asian 7%, aboriginal and other 2%	British origin 28%, French origin 23%, other European 15%, mixed Background 26%, Amerindian 2%, Asian, African, Arab 6%	Indigenous population: Swedes and Finnish and Sami minorities, foreign born or first-generation immigrants: Finns, Yugoslavs, Danes, Norwegians, Greeks, Turks	Caucasian 77.1%, Black 12.9%, Asian 4.2%, Amerindian and Alaskan native 1.5%, Other 4.3%, Hispanic 13.4% (adds up to more than 100% because Hispanics may be of any race and are counted under more than one category)
<b>Religions</b>	Anglican 26.1% Roman Catholic 26%  Other Christian 24.3% Non-Christian 11% Other 1%	Roman Catholic 46% Protestant 36%  Other 18%	Lutheran 83% Roman Catholic, Orthodox, Baptist, Muslim, Jewish, Buddhist 17%	Protestant 56% Roman Catholic 28% Jewish 2% Other 4% None 10%
<b>Literacy</b>	100%	97%	99%	97%
<b>Health</b>				
Infant mortality rate	5/1000	4.95/1000	4/1000	6.75/1000
Heart disease	110.9/100000	136.4/100000	110.1/100000	257.9/100000
Stroke	45.6/100000	50/100000	45.2/100000	60.3/100000
HIV/AIDS—adult prevalence rate	0.15% (1999 est.)	0.3% (1999 est.)	0.08% (1999 est.)	0.6% (2001 est.)

Sources: CIA Factbook (2002, 2003), SCB (2002), ABS (2002), Statistics Canada, Bank of Canada, Heart and Stroke Foundation Canada, U.S. Census Bureau, Census 2000 Brief, March 2001, and National Population Estimates, June 18, 2003.

situated in the services sector (Canada 74%; Australia 73%; Sweden 74%) (see Table 1A).

The populations of Australia, Canada and Sweden correspond with the relative size of the three countries (see Table 1A). The population growth rate of all three countries is low, with Sweden's being the lowest. In the next 10 or 12 years, like most developed countries, all three countries will experience a dramatic rise in the over 66 years age group. This will have the highest impact on Sweden, which already has a slightly larger percentage in this age group and a similar percentage to Canada and Australia (23–25%) in the age group just below 66. The life expectancy in all three countries is relatively high. The three countries have a somewhat uneven distribution of population with more than 50% of the population concentrated in a few areas. In Australia, those areas are the states of New South Wales and Victoria; in Canada, the concentration is in the provinces of Ontario and Quebec and, in Sweden, it is in four provinces, namely, Skane, Vastergoland, Sodermanland and Uppland.

The most noteworthy difference in the populations of the three countries is to be found in their ethnic and religious make-up. Canada and Australia have diversity within the majority Caucasian population and diversity within the rest of the population as well. Sweden is fairly homogenous, with Swedes making up the majority of the population. There are indigenous minorities such as the Saami and Sweden-Finns and other minorities who are foreign born or first generation. Both the majority and the minority groups are largely Caucasian. Homogeneity is also present in the religious make-up of Sweden's population: 87% of the population is Lutheran while the rest are either Roman Catholic, Orthodox, Baptist, Muslim, Jewish or Buddhists. While the majority of Canadians and Australians are identified as Christian, there is considerable diversity within this group. As well, both countries have a significant non-Christian population (Australia 11%; Canada 18%).

In terms of economic measures, the three economies lack the power and size of the US economy, but in terms of non-economic indicators of affluence, namely life expectancy, literacy rates and infant mortality rates all three economies fare as well as or better than the USA on each measure. If the United States of America is used as the benchmark, then, from

Table 1B

Australia, Canada, Sweden: non-economic affluence indicators as compared to the USA

	Australia	Canada	Sweden
Non-economic affluence indicators			
Life expectancy	✓	✓	✓
Literacy	✓	=	✓
Infant mortality rate	✓	✓	✓

(✓) Better than USA and (=) equal to USA. Sources: CIA Factbook (2002, 2003), SCB (2002), ABS (2002), Statistics Canada, Bank of Canada, Heart and Stroke Foundation Canada.

a perspective of social capital, these three countries are extremely well-developed (Table 1B.).

The geographic distances between Australia, Canada and Sweden and their differences in history, one would have assumed, would have produced major disparities in their socio-economic situations. Australia was a British colony founded in 1788 as a direct result of the War of Independence in the USA. Britain then needed somewhere to which it could transport its convicts. Originally conceived of as a prison, Australia now captivates those who visit it, for economically it has advanced to be on a par with many of the significant economies in Europe. As a result of the geographic isolation of the country in its early days, it had to seek out the rest of the world for trade and commerce. Sweden is a much older society, but with a Viking tradition that saw its merchants over a thousand years ago forage near and far in search of economic wealth. Canada shares the British heritage of Australia, but not its geographic isolation from the rest of the world, particularly the USA. Yet in its earliest days of British and French settlement, it should be recognized that its European settlers were isolated from their home countries. Both Canada and Australia were large tracts of inhospitable land ravaged by the extremes of climate. Their European settlers had to contend with the new and often harsh environment in which they found themselves. These types of challenges often produce resilience and a spirit of adventure that values self-reliance and a desire to explore new ways of doing things and new ways of conducting one's affairs.

The similarities today among the three countries are brought about by a number of factors. The three economies are well developed (OECD members). Each country is a smaller player in its regional



marketplace: a smaller economy surrounded by larger economic entities and populations. In Sweden's case, it is the European Union, in Australia's case, the Asian region and in Canada's situation, it is the USA. Historically, each country has had to expand its horizons outside of its home markets in order to survive and forge economic growth. This has forced a mind set in the three countries, which is deeply ingrained in the psyche of each country, that has seen each one of them recognize that they needed to move away from a manufacturing base to one of services: where the intellectual capital of each country's citizens could be transported more readily.

Whilst the researchers are not claiming that the cultures mirror each other, one could only but be amazed at and interested in the similarities that exist among them. This situation makes an interesting platform for this research, when also framed within the context of the ideas and assertions of Geert Hofstede.

Australia, Canada and Sweden were among the countries studied by Geert Hofstede in developing his dimensions of national culture. In that study he identified the following four dimensions of national culture: Individualism versus Collectivism; Large or Small Power Distance; Strong or Weak Uncertainty Avoidance; Masculinity versus Femininity (Hofstede, 1983a, p. 78). Hofstede's research, involving a data bank of 40 countries and 116,000 questionnaires, allowed him to assign an index value (between 0 and about 100) on each of the four dimensions. Scores on these dimensions for Australia, Canada, Sweden and the United States of America are shown in Table 1C.

On Power Distance, a measure of the unequal distribution of power in society, Australia, Canada, Sweden and the USA have scores that are fairly close in value, as they do with Individualism versus Collectivism, a measure of the relationship between an individual and his fellow individuals. On Masculinity versus Femininity, a measure of the division of

roles between the sexes in society, scores for Australia, Canada and the USA are fairly close but significantly higher than Sweden's. Sweden was the most feminine of the countries studied by Hofstede, meaning that it puts "relationships with people before money, mind-ing the quality of life and the preservation of the environment, helping others, in particular the weak, and 'small is beautiful' " (Hofstede, 1983a, p. 85). The final of Hofstede's dimensions of national culture, Uncertainty Avoidance, a measure of how a society deals with uncertainty, is perhaps the most relevant to the current study as it is related to the propensity of a culture to establish laws and formal rules such as codes of ethics. Societies strong on Uncertainty Avoidance are more likely to establish formal rules to deal with unpredictability. On the Uncertainty Index, Australia, Canada and the USA have almost exact values, while Sweden is considerably lower: the implication being that Australian, Canadian and American societies are more likely than Swedish society to establish formal rules to create security. Subsequent to his identification of the four dimensions discussed above, Hofstede and Bond (1988) identified a fifth through the Chinese Value Survey, which was administered to 50 male and 50 female students in each of 22 countries. They called that dimension " 'Confucian Dynamism' to show that it deals with a choice from Confucius' ideas and that its positive pole reflects a dynamic, future-oriented mentality, whereas its negative pole reflects a more static, tradition-oriented mentality" (Hofstede & Bond, 1988, p. 16). However, this fifth dimension has not been received with the same level of enthusiasm as the former four. Sondergaard (1994), in his study of reviews, citations and replications of Hofstede's work does not even mention it while McSweeney (2002) in his critique found the grafting on of the fifth dimension to be problematic. Moreover, Fang (2003), in a critique of only the fifth dimension using an emic approach concluded that it was philosophically flawed and derived from a distorted research methodology.

Hofstede's typology of culture, one of the most popular theories of culture types (Sondergaard, 1994), is not without its critics. McSweeney (2002), in a comprehensive critique of Hofstede's national culture research questioned his methodology, assumptions and interpretation of findings: "Hofstede's apparently sophisticated analysis of extensive data necessarily

Table 1C

Dimensions of national culture: Australia, Canada, Sweden

Country	PDI	IDV	MAS	UAI
Australia	36	90	61	51
Canada	39	80	52	48
Sweden	31	71	5	29
USA	40	91	62	46

Adapted from Hofstede (1983b, p. 52).

relies on a number of profoundly flawed assumptions to measure the ‘software of the mind’ . . . Hofstede’s claims are excessive and unbalanced; excessive because they claim far more in terms of identifiable characteristics and consequences than is justified; unbalanced, because there is too great a desire to ‘prove’ his a priori convictions rather than to evaluate the adequacy of his findings (p. 111).” However, [Sondergaard \(1994\)](#) in an analysis 61 replications of Hofstede’s study found that there are remarkably few non-confirmations and that “by and large, Hofstede’s findings were confirmed in the reviewed replication studies once some modifications with respect to perception of environment at the time of the research and known sample characteristics had been made (p. 452).”

## 2. The study

The purpose of this study was to analyze, according to a specific method, the contents of corporate codes of ethics in Australia, Canada, and Sweden. The study sought to identify and compare the issues addressed in the codes of ethics of the top 500 corporations in Australia and Canada and in the top 100 in Sweden. For two related reasons it is assumed that the Canadian codes are similar to those of the United States and are reflective of practices in the United States. First, on Hofstede’s dimensions, Canada and the United States have similar scores and virtually identical scores on the Uncertainty Avoidance dimension, which is directly linked to the need for and contents of corporate codes of ethics. Second, there is research evidence for the assertion that Canadian and American corporate codes are similar. [Lefebvre and Singh \(1996\)](#), in a comparative study of American and Canadian corporate codes of ethics using a methodology similar to that of the current study, found that they were remarkably similar: “Except for the finding that legal responsibilities as the basis of ethical codes is cited more frequently by American corporations, the Canadian and American corporate codes of ethics examined in this paper are remarkably similar. In the main, these codes are concerned with protection of the firm. They focus on conduct against the firm rather than issues of social responsibility” (p. 165). Lefebvre and Singh concluded that the similarities between

American and Canadian codes are due to similarities between the cultures of Canada and the United States.

The Canadian sample was drawn from the Summer 2001 edition of the *Financial Post* which annually ranks the top 500 companies in Canada. A cover letter and questionnaire similar to those used in collecting data in Australia and Sweden were mailed to the CEO or Chair of 490 corporations (contact information was not available for 10). The letter and cover page of the questionnaire briefly described the nature of the research, guaranteed the confidentiality of the information provided and requested a copy of the corporation’s code of ethics. The questionnaire consisted of 31 questions related to ethics programs, the findings of which are reported elsewhere. Thirty packages were returned to sender as undeliverable. The 460 packages delivered elicited 140 responses, 24 indicating various reasons for not participating in the study, 16 indicating that they did not have a code and 100 indicating that they have a code (80 sent codes). The useable response rate was therefore 25.2%. A total of 80 codes, representing a broad cross section of Canada’s largest firms, were analyzed.

The Australian survey document was sent to the public relations managers of the top 500 Australian companies (based on revenue) operating in the private sector ([Shoebridge, 2000](#)). Companies were asked to answer the same questions as the Canadian survey and to supply a copy of their code of ethics. The 479 packages delivered elicited 173 responses, with 49 companies indicating various reasons for not participating in the study, 30 indicating that they did not have a code, 81 indicating that they did have a code (65 sent codes) and another 13 companies who declined to fill in the questionnaire but who provided their code. The useable response rate was therefore 25.9%. The total of 78 codes that were analyzed represented a broad cross section of Australia’s largest firms.

The Swedish survey document was sent to the public relations managers of the top 100 Swedish companies (based on revenue) operating in the private sector ([SCB, 2002](#)): firms that, for several reasons such as size of turnover, employee numbers and business profile, are more probable to have developed a formal code of ethics ([Brytting, 1997](#)). Companies were asked to answer the same questions and to supply a copy of their code of ethics. The response rate was 74% with 72 companies returning the completed



Table 1D  
Corporations that sent their codes by industry

	Australia		Sweden		Canada	
	Count	Percent	Count	Percent	Count	Percent
Accommodation, cafe or restaurant	1	1.5	2	5.1	1	1.3
Agriculture, forest or fishing	2	3.1			4	5.0
Communication services	3	4.6	1	2.6	6	7.5
Construction	2	3.1			2	2.5
Cultural or recreational services	3	4.6			2	2.5
Education	1	1.5	1	2.6		
Electricity, gas or water	8	12.3			4	5.0
Finance and/or insurance	11	16.9	3	7.7	13	16.3
Govt admin or defence	4	6.2	1	2.6		
Health and community services	1	1.5	3	7.7	3	3.8
Mining	6	9.2	1	2.6	6	7.5
Manufacturing	11	16.9	10	25.6	18	22.5
Personal and other services	1	1.5	3	7.7		
Property and business services	1	1.5	2	5.1		
Retail trade	5	7.7	8	20.5	6	7.5
Transport and storage	2	3.1	1	2.6	4	5.0
Wholesale trade					5	6.3
Other			3	7.7	3	3.8
Diverse business interests	3	4.6			3	3.8
Total	65	100.0	39	100.0	80	100.0

questionnaire and 40 companies acknowledging that they had a code of ethics. Thirty-nine companies sent in their codes for analysis.

A breakdown according to industry of the corporations across the three countries whose codes were analyzed in this study is shown in Table 1D.

The contents of the corporate codes of ethics were analyzed according to a scheme derived from Cressey and Moore (1983), Mathews (1998), Lefebvre and Singh (1992) and Wood (2000). Cressey and Moore (1983) examined codes of ethics of 119 U.S. corporations along a number of criteria: (1) policy area (conduct on behalf of the firm, conduct against the firm, and integrity of books and records); (2) authority—precepts, trends, or principles that make a code seem ethical, morally necessary, or legitimate (p. 59); and (3) compliance procedures—the methods specified for monitoring, enforcing, sanctioning or otherwise ensuring compliance with the provisions of a code (p. 64). Mathews (1998) analyzed the codes of 202 of the most profitable American corporations using an extension of the Cressey & Moore technique. Content was classified as follows: (1) categories of behavior and actions covered by the code, (2) enforcement procedures, and (3) penalties for non-

compliance. These three broad categories contained a total of 64 items and each item was assessed as (1) not discussed, (2) discussed, (3) discussed in detail, and (4) emphasized. For the purposes of analysis, the 64 categories were grouped under the following 10 areas:

- (1) Conduct on behalf of the organization;
- (2) Conduct against the organization;
- (3) Integrity of books and records;
- (4) The basis of the code (legal, ethical, or both);
- (5) Specific laws cited;
- (6) Reference to government agencies;
- (7) Internal and external compliance/enforcement measures;
- (8) Codes mentioning enforcement/compliance procedures;
- (9) Penalties for non-compliance;
- (10) References to the need to maintain the corporation's "good reputation".

Lefebvre and Singh (1992) modified the Mathews technique for their study of Canadian corporations, which in turn was modified by Wood (2000) for his study of Australian corporations. Wood's methodology did not assess the degree to which items were

Table 2A

Content analysis results: conduct on behalf of the firm

	Australia ( <i>n</i> = 78) (%)	Canada ( <i>n</i> = 80) (%)	Sweden ( <i>n</i> = 39) (%)
1. Relations with home government	32	29	0
2. Relations with customers/suppliers	92	80	82
3. Relations with employees-health, safety	62	54	56
4. Relations with competitors	28	45	8
5. Relations with foreign governments	13	18	0
6. Relations with investors	24	36	23
7. Civic and community affairs	36	40	28
8. Relations with consumers	5	9	21
9. Environmental affairs	49	48	54
10. Product safety	19	16	18
11. Product quality	28	33	36
12. Payments or political contributions to governments or government officials or employees	35	46	15
13. Acceptance of bribes, kickbacks, gift/entertainment	72	79	33
14. Giving of bribes, kickbacks, gifts/entertainment	47	61	26
Average score	39	43	29

discussed in the codes but measured only the frequency of mention. Wood (2000) argues that the amount of space devoted to an item within the code may not necessarily correlate with the importance that the company attaches to it and that the space devoted to it may be a result of the difficulty of expressing the concept (p. 288).

The content analysis technique used in the current study is closest to Wood's approach and includes 61 items, the modification reflecting the nature of Australian, Canadian and Swedish data.

### 3. Content analysis: results and discussion

The contents of the 78 Australian, 80 Canadian and 39 Swedish corporate codes of ethics were comprehensively analyzed within seven categories, reduced from the earlier outlined 10 broad categories used by

Mathews (1998) by combining items 5–7, 8 and 9 and subsuming 10 under “General Information.” The analysis was manually done by one person and randomly checked for accuracy by another. Moreover, the person analyzing the codes for the current study from the three countries also independently analyzed 32 codes from an earlier study of transnational corporations (Carasco & Singh, 2003): the results were compared to the findings of Carasco and Singh (2003) and found to be consistent. The findings of the content analysis of the corporate codes of ethics from Australia, Canada and Sweden are presented in Tables 2A–H and discussed according to seven categories.

#### 3.1. Conduct on behalf of a firm

This category focuses on behavior of employees when representing their organizations. It consists of 14 items ranging from interaction with governments to

Table 2B

Content analysis results: conduct against the firm

	Australia ( <i>n</i> = 78) (%)	Canada ( <i>n</i> = 80) (%)	Sweden ( <i>n</i> = 39) (%)
15. Conflict of interest	86	85	18
16. Divulging trade secrets/proprietary information	78	81	21
17. Insider trading information	58	70	18
18. Personal character matters	30	25	21
19. Other conduct against the firm	65	61	13
Average score	63	64	18

Table 2C

Content analysis results: integrity of books and records

	Australia ( <i>n</i> = 78) (%)	Canada ( <i>n</i> = 80) (%)	Sweden ( <i>n</i> = 39) (%)
20. Integrity of books and records	54	64	23

the giving and receiving of bribes. The average frequency of mention for this category was 39% for Australian codes, 43% for Canadian codes and 29% for Swedish Codes (Table 2A). Carasco and Singh (2003) in their study of codes of transnational corporations found the average frequency of mention in this category to be 46%. The average score of 29% for Sweden is considerably lower than for the three others.

A lower average score on this category begins a trend of lower scores for Sweden on all the categories analyzed. The Australian and Canadian scores indicate that these codes are much more prescriptive: the codification of ethics in the Canadian and Australian codes is more intense than in the Swedish codes. Within this category, the frequency of mention ranges from a low of 5% (relations with consumers) to a high of 92% (relations with customers/suppliers) for Australia. These two items are also the lowest and highest ranked for the Canadian firms. While “relations with customers/suppliers” was highest ranked (82%) for the Swedish firms their lowest ranked was “relations with their home government” (0%) and “foreign governments” (0%). One area in which frequencies of discussion in the codes from the three countries is consistently fairly high is environmental affairs—49%, 48% and 54% of the Australian, Canadian and Swedish codes, respectively, discuss environmental issues. Similarly the frequency of mention of “relations with employees (health, safety)” was uniformly high at 63%, 54% and 56% for Australia, Canada, and Sweden, respectively. It should also be noted that on the issue of bribery the codes of all the countries mention the acceptance of bribes more often than the giving of bribes—a finding

consistent with Lefebvre and Singh (1992), Wood (2000) and Carasco and Singh (2003).

### 3.2. Conduct against the firm

The category, “Conduct Against the Firm” is concerned with employee conduct that could directly harm the firm. This is measured by five items as shown in Table 2B.

The trend identified earlier of the Australian and Canadian codes being similar, and the Swedish codes different from them, is also seen in this category. The five items in this category were discussed in an average of 63% of the Australian codes, 64% of the Canadian codes and only 18% of the Swedish codes. The sole item where the frequency of mention was similar was “personal character matters”, which was discussed by 30% of the Australian, 25% of the Canadian and 21% of the Swedish codes. Conflict of interest was discussed in 86% of the Australian, 85% of the Canadian and only 18% of the Swedish codes. The percentage of Swedish codes addressing this issue is low compared not only to the Australian and Canadian codes in the present study but also to the transnational codes studied by Carasco and Singh (2003), which found 62% of those codes addressing this issue. Divulging trade secrets/proprietary information was also covered by a vast majority of the Australian (78%) and Canadian (81%) codes but only by 21% of the Swedish codes. The low percentage of Swedish codes covering conduct against the firm is also seen in the item on insider trading where only 18% of codes from that country cover this issue compared to 58% for Australia and 70% for Canada.

Table 2D

Content analysis results: basis of code

	Australia ( <i>n</i> = 78) (%)	Canada ( <i>n</i> = 80) (%)	Sweden ( <i>n</i> = 39) (%)
21. Legal responsibility	82	80	33
22. Ethical responsibility	68	84	54

Table 2E

Content analysis results: laws and government agencies cited in codes

	Australia ( <i>n</i> = 78) (%)	Canada ( <i>n</i> = 80) (%)	Sweden ( <i>n</i> = 39) (%)
<b>Laws</b>			
23. Equal employment opportunity	67	61	44
24. Competition act/anti-trust/TPA <sup>a</sup>	35	40	18
25. Securities	13	21	10
26. Environment	13	25	18
27. Food and drug	3	5	18
28. Product safety and quality	9	1	8
29. Worker health/safety	24	23	28
30. Bribes or payments to governments or officials	8	20	3
31. False advertising	4	4	0
32. Other laws	44	56	46
Average score	22	26	20
<b>Agencies</b>			
33. Competition tribunal/TPA	4	1	0
34. Other agencies	8	4	10
Average score	6	3	5

<sup>a</sup> Australian equivalent: TPA: trade practices act.

Table 2F

Content analysis results: enforcement/compliance procedures

	Australia ( <i>n</i> = 78) (%)	Canada ( <i>n</i> = 80) (%)	Sweden ( <i>n</i> = 39) (%)
<b>Internal-oversight</b>			
35. Supervisor surveillance	10	16	23
36. Internal watchdog committee	5	9	0
37. Internal audits	4	5	8
38. Read and understand affidavit	14	33	0
39. Routine financial budgetary review	1	0	0
40. Legal department review	0	0	0
41. Other oversight procedures	0	14	10
<b>Internal-personal integrity (for questions re-policy or reporting misconduct of self or others to)</b>			
42. Supervisor	55	69	18
43. Internal watchdog committee	8	4	8
44. Corporation's legal counsel	15	49	8
45. Other (in firm)	51	64	5
46. Compliance affidavits	4	0	0
47. Employee integrity	69	58	33
48. Senior management role models	0	8	15
<b>External</b>			
49. Independent auditors	0	0	0
50. Law enforcement	1	0	8
51. Other external	3	0	3
Average score	14	19	8
52. Codes mentioning procedures	79	86	42

Table 2G

Content analysis results: penalties for breaching code

	Australia (n = 78) (%)	Canada (n = 80) (%)	Sweden (n = 39) (%)
Internal			
53. Reprimand	12	6	0
54. Fine	0	1	5
55. Demotion	3	1	0
56. Dismissal/firing	39	58	18
57. Other internal penalty	9	9	0
External			
58. Legal prosecution	22	33	15
59. Other external penalty	1	6	0
Average score	12	16	5

Issues related to conduct against the firm were, on average, covered with greater frequency than conduct on behalf of the firm for the Australian (63% vs. 39%) and Canadian (64% vs. 43%) codes while the reverse is true for the Swedish codes. On average, 18% of Swedish codes cover conduct against the firm compared to 29% that discuss conduct on behalf of the firm. The focus of the Australian and Canadian codes on conduct against the firm may be interpreted as a reflection of the desire of organizations to guard against events which may have a dramatic, adverse impact on them. However, another interpretation may be, as stated by Wood (2000), whether such intent is ethically motivated based on the welfare of stakeholders or is motivated by mercenary values of self-preservation of the organization (p. 291).

### 3.3. Integrity of books and records

This category was measured by one item (see Table 2C). Fifty-four percent of the Australian codes, 64% of the Canadian and 23% of the Swedish codes mentioned this item.

Again, while the Canadian and Australian percentages are relatively high, the frequency of

mention in the Swedish codes is relatively low. The higher frequencies of mention in the Canadian and Australian codes may be linked to the influence of American corporate codes in these countries. Many American codes were first developed or revised in response to extensive overseas bribery in the 1970s, which was facilitated by corporations keeping two sets of books: one for auditors and one secret set that showed the amount of money given as bribes (Mathews, 1998, p. 54). Mathews in her study of American codes found a frequency of mention of 75.3% for this item while Lefebvre and Singh (1992) found a frequency of mention of 82.7% in their Canadian study, and Wood (2000), 57.8% in his Australian study. This item was mentioned by 47% of the codes of transnational corporations studied by Carasco and Singh (2003). The value of conveying to employees the importance of accounting transparency and the use of true, accurate and complete information cannot be overemphasized. It would be interesting to see how recent revelations of lack of integrity of books and records at major corporations (e.g., Enron, WorldCom) will affect the way this item is considered by corporate codes of ethics in the future.

Table 2H

Content analysis results: general information

	Australia (n = 78) (%)	Canada (n = 80) (%)	Sweden (n = 39) (%)
60. Need to maintain corporation's good reputation	47	61	26
61. Letter/introductory remarks from the President/CEO/Chairperson of the Board	46	46	31

### 3.4. Basis of the code

This category consisted of two items—legal responsibility and ethical responsibility (see Table 2D).

The codes were read to determine whether legal or ethical responsibility was cited as their basis. The findings indicate that these are not mutually exclusive items, i.e., codes could cite both legal and ethical bases. However, as Mathews (1998, p. 54) argues, “if the basis of the code is legal, it imitates the criminal law (law, criminal justice procedures, sanctions), but if it is ethical only, no legal apparatus, including sanctions, is called for (one doesn’t “enforce” the golden rule). This implies a different approach by codes citing legal responsibility and those citing ethical responsibility: those citing legal responsibility could be expected to be more precise in identifying unacceptable corporate behavior and the consequences of such behavior. Eighty-two percent of the Australian, 80% of the Canadian and 33% of the Swedish codes identify legal responsibility as their basis while ethical responsibility is identified by 68%, 84% and 54% of the Australia, Canadian and Swedish codes, respectively. The inferences that may be drawn from these figures is that while the Canadian and Australian codes have strong bases in both legal and ethical responsibility, the Swedish codes, although citing both bases less frequently, are skewed in favour of ethical responsibility.

### 3.5. Laws and agencies cited

This category examined reference to specific laws and government agencies in the corporate codes.

The average frequency of mention of specific laws was 22% for the Australian codes, 26% for the Canadian codes and 20% for the Swedish codes. This category (except reference to the relatively infrequently mentioned “specific government agencies”) represents the only category where the averages for the three countries were fairly close. Moreover, the law most frequently cited in this category, equal employment opportunity (EEO), was the same for codes from all three countries: 67% for the Australian codes, 61% for the Canadian codes and 44% for the Swedish codes. Clearly, equal employment opportunity is an issue of considerable importance to Australian, Canadian and Swedish firms. It should be noted that this item was

added to this category for this study because of its frequency of mention and it is recommended that it be retained in future studies of this nature. Competition, anti-trust and trade practices acts were also frequently cited: by 35% of the Australian, 40% of the Canadian and 18% of the Swedish codes. The codes from the three countries were also consistent in citing worker health and safety laws: 24%, 23% and 28% for the Australian, Canadian and Swedish corporations, respectively. Other laws fairly frequently mentioned in the codes were securities and environmental laws. Carasco and Singh (2003) in their study of the codes of transnational corporations, consistent with the current study, found relatively high mention of competition, securities and environmental laws.

Of all the categories assessed in this study, “Government agencies/Commissions” received the least mention. The average frequency of mention of items in “Governmental agencies/Commissions” was 6% for the Australian codes, 5% for the Swedish codes and 3% for the Canadian Codes (see Table 2E).

This finding is consistent with Lefebvre and Singh (1992) and Wood’s (2000) research on Canadian and Australian codes. Competition tribunal or equivalent agencies received mention in 4% of the Australian, 1% of the Canadian and none of the Swedish codes. Eight percent, 4%, and 10% of the Australian, Canadian and Swedish codes, respectively, mentioned other agencies. Eighteen percent of the codes of the transnational corporations studied by Carasco and Singh (2003) mentioned other agencies. This higher percentage is perhaps a reflection of the greater likelihood of transnationals falling under the purview of international agencies such as the International Labour Organization and the World Health Organization. However, the overall low level of mention of this category in all the studies may be due to the envisaged limited contact between rank and file employees and those agencies and commissions.

### 3.6. Compliance

As Berenbeim (1999) argues, “companies need to strengthen code compliance-verification procedures. Precatory words are insufficient weapons for effective action” (p. 139). Simply stating what is acceptable and unacceptable employee behavior without specifying methods for compliance/enforcement may not be



enough: specifying compliance/enforcement procedures and penalties for breaching provisions of the code are critical to code effectiveness. This section of the paper looks at two categories of items in the content analysis: enforcement/compliance procedures (Table 2F) and penalties for breaching code (Table 2G).

The proportion of codes mentioning enforcement or compliance procedures ranged from 42% for Sweden to 86% for Canada, which was slightly higher than the 79% for the Australian codes (see Item 52, Table 2F). Carasco and Singh (2003) found that 75% of the codes of transnational corporations mentioned enforcement or compliance procedures. The numbers for Canada and Australia and, to a lesser degree Sweden, are encouraging signs of the codes not merely being window dressing but instruments of corporate governance, with which employees are expected to comply.

The Internal-oversight section (Table 2F), items 35–41, includes individuals, groups and measures aimed at monitoring the behavior of employees. Supervisor surveillance was the only item in this section to receive consistent mention across all three countries: 10% for Australia, 16% for Canada and 23% for Sweden. Carasco and Singh (2003) found a 28% frequency of mention for this item. Clearly, therefore, across the codes considered in this study, the supervisor is seen as pivotal to the Internal-oversight compliance procedures. “Internal watchdog committee” received some mention in the Australian and Canadian codes (15% and 9%, respectively) while a few of the codes from all the countries mention “internal audits”. In the Carasco and Singh (2003) study, “internal audits” was mentioned by 28% of the codes. Internal audits of ethical practices could be an effective device in ensuring compliance, thereby becoming an important part or the control function in organizations. Affidavits stating that employees have read, and understand, the firm’s code of ethics was mentioned by 14% of the Australian codes, 33% of the Canadian codes and none of the Swedish codes.

The second of the three segments in the category “enforcement/compliance procedures” is “internal-personal integrity” (items 42–48). Employee integrity, as an internal measure to ensure compliance with the code of ethics, was mentioned by 69% of the Australian, 58% of the Canadian and 33% of the

Swedish codes. According to Wood (2000), “employee integrity is basically a *nom de plume* for the expectation that individuals will engage in whistle blowing” (p. 294). An issue being addressed here is to whom should one take questions regarding a policy or to report misconduct of self or others. In the codes from all the countries, the employee’s supervisor is identified most often as the person to whom one should direct questions about a policy or to report misconduct: 55%, 69% and 18% for the Australian, Canadian and Swedish codes, respectively. Another official of the firm receiving mention across the codes is the corporation’s legal counsel: almost half of the Canadian codes mention legal counsel, considerably more than the Australian (15%) and the Swedish (8%).

External compliance/enforcement procedures (independent auditors, law enforcement, other external) were not frequently mentioned in the codes: none of the codes mentioned independent auditors; 1% of the Australian, none of the Canadian and 8% of the Swedish codes mentioned law enforcement; 3% of the codes from Australia and Sweden mentioned other external procedures. The lack of mention of independent auditors in all of the codes is significant: it is a strong indication of firms’ desire for direct control of compliance procedures. However, this is an area that may receive attention in the future as stakeholders may be more inclined to have faith in ethics programs which are independently audited.

The second aspect of compliance is “penalties for breaching code” (see Table 2G). Among the internal measures most often cited was dismissal/firing: 58%, 39%, and 18% in the Canadian, Australian and Swedish codes, respectively. This was also the only measure mentioned by some codes across the countries. “Reprimand” was mentioned by 12% of the Australian, 6% of the Canadian and none of the Swedish codes. Legal prosecution was virtually the only external penalty included in the codes: 22%, 33% and 15% of the Australian, Canadian and Swedish codes, respectively. “Other external penalty” was mentioned in 6% of the Canadian, 1% of the Australian and none of the Swedish codes.

### 3.7. General information

The General information category consisted of items 60 and 61 (Table 2H): Item 60 examined

statements in the codes expressing the need to maintain the corporation's good reputation; Item 61 identified whether or not the code included introductory remarks from a senior executive (President, CEO, Chair of the Board).

The need to maintain the corporation's good reputation was mentioned in 47% of the Australian, 61% of the Canadian and 26% of the Swedish corporate codes of ethics. Carasco and Singh (2003) in their study of the codes of ethics of transnational corporations found a 76% mention of this item. The fairly high rate of mention of this item across the various groups of codes is indicative of the significance corporations attach to a good public image. At the same time, one may wonder why 53%, 39% and 74% of the Australian, Canadian and Swedish codes, respectively, did not seize the opportunity to state the importance of maintaining the corporation's good reputation.

Approximately half of the Australian and Canadian codes and a third of the Swedish codes were accompanied by an introductory letter or remark from the President, CEO, or Chair of the Board. Such a statement indicates that the code has received the attention of top management and it is to be taken seriously by all in the corporation. Why half of the Australian and Canadian codes and two-thirds of the Swedish codes do not include such a statement is inexplicable.

#### **4. Conclusion and managerial implications**

Australia, Canada and Sweden, the three countries from which corporate codes of ethics were content analyzed for this study, are very similar in economic development and standard of living. In the case of Sweden, these similarities do not extend to history and culture. Canada and Australia are former British colonies and members of the British Commonwealth while Sweden, a more homogenous country than both Australia and Canada, has never been colonized. In Hofstede's work on dimensions of national culture, Canada and Australia are grouped with the Anglo countries while Sweden is grouped with the Nordic. These similarities and differences are reflected in the contents of the corporate codes of ethics in the three countries. The Australian and

Canadian codes are more prescriptive than those from Sweden: the intensity of codification for Canada and Australia was distinctly stronger than for Sweden. This is a reflection of national cultures: in particular, the dimension of culture which Hofstede labeled "uncertainty avoidance." The fundamental issue involved in uncertainty avoidance is "how society deals with the fact that time runs only one way, that is, we are all caught in the reality of past, present and future, and we have to live with uncertainty because the future is unknown and always will be" (Hofstede, 1983a, p. 81). Societies differ in how they deal with uncertainty: some are more accepting of it while others are more inclined to try to avoid it. Those societies that are more inclined to avoid uncertainty are more likely to have more laws and formal rules to guard against unpredictability. Hofstede found an Uncertainty Avoidance score of 51 for Australia, 48 for Canada, and 29 for Sweden (Hofstede, 1983b, p. 52). The stronger formalization of rules reflected in the Australian and Canadian corporate codes of ethics, as compared to the Swedish codes, reflect the different uncertainty avoidance values in these countries.

The Swedish codes are also less regulatory than the Australian and Canadian codes in respect to the codes mentioning enforcement procedures. This may well be a reflection of the lower Swedish score on the masculinity index of Hofstede (1983a). The Swedish management style appears to be more one of participatory management, where employees are coached and coaxed into doing the 'right thing'. The manager is not seen as the draconian disciplinarian as may be the case in other cultures, but more as a mentor to lead and guide the staff members to their own enlightenment and self-correction in the areas where their performance may be lacking. The focus is on establishing and maintaining relationships at all levels of the organization, thus, organizations may be less prescriptive in regulatory code enforcement because it is an anathema to accepted Swedish management practice.

#### **5. Managerial implications**

There are managerial implications that emanate from the characteristics and distinction between, on

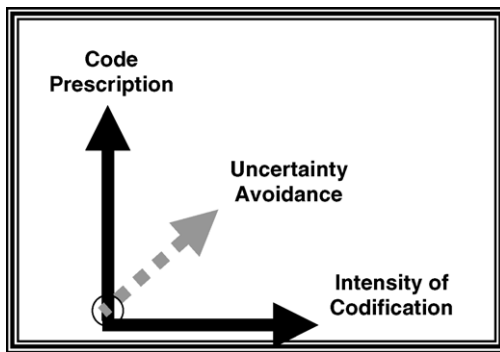


Fig. 1. Corporate propensity to uncertainty avoidance.

the one hand, Australian and Canadian corporate codes of ethics, and, on the other, the Swedish ones. In the following paragraphs a conceptual framework and managerial implications are introduced and discussed in terms of: corporate propensity to uncertainty avoidance in codes of ethics and flexibility zones in corporate codes of ethics.

### 5.1. Corporate propensity to uncertainty avoidance

In Hofstede's dimensions of national cultures, as stated earlier, Canada and Australia are grouped together (Anglo group) while Sweden belongs to another group (Nordic group) and this pattern is reflected in the content analyses of the corporate codes of ethics of the three countries. Evidently, there is an impact of national cultures involved in corporate codes of ethics: in particular, the dimension of culture which Hofstede labeled "uncertainty avoidance".

From a code of ethics perspective, two principal parameters may alleviate the corporate uncertainty avoidance in business operations and business environment. These are the code prescription and the intensity of codification (see Fig. 1).

When the corporate uncertainty avoidance increases, then as a consequence, the degree of code prescription and the intensity of codification may also increase. These parameters reflect corporate propensity to uncertainty avoidance in corporate codes of ethics in different national cultures (e.g., in Australia, Canada and Sweden): the contents of these codes should therefore be seen as dynamic, not static, reflecting the need for uncertainty avoidance.

### 5.2. Inherent flexibility zones of corporate code of ethics

The contents of a corporate code of ethics may also be interpreted as reflecting an inherent flexibility or inflexibility towards employees in the corporations' various business operations and different cultural business environments. On the one hand, the code of ethics may contain a high degree of code prescription and intensity. On the other hand, the code of ethics may contain a low degree of prescription and intensity. These combinations define the corporation's breadth of flexibility and inflexibility zones towards employees (see Fig. 2).

The degree of flexibility towards employees in ongoing business operations, as reflected in corporate codes of ethics, may be classified as follows:

- *Flexibility Zone* refers to when both the degree of code prescription and the degree of codification intensity are low in the corporation's codes of ethics content.
- *Inflexibility Zone* refers to when both the degree of code prescription and the degree of codification intensity are high in the corporation's codes of ethics content.
- *Mixed Flexibility Zone* refers to when the degree of code prescription is low, while the degree of

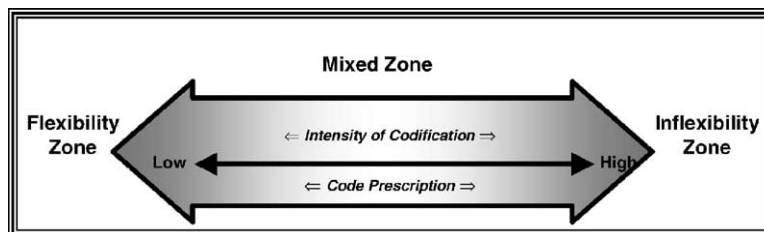


Fig. 2. Inherent flexibility zones of corporate codes of ethics.

codification intensity is high, or vice versa, in the corporation's code of ethics content.

The Australian and Canadian corporate codes of ethics may be characterized as being in the inflexibility zone, as both the degree of code prescription and the degree of codification intensity are high, while the Swedish codes approximate the criteria of the flexibility zone. The difference between these codes of ethics may be a result of national culture.

The need to avoid uncertainty and the concomitant zone of flexibility imply potential inappropriateness of homogenous corporate codes of ethics across national and cultural business environments. They also indicate the importance of a flexible approach to corporate codes of ethics content for multinational corporations in their international business operations. The diverse national and cultural contexts that corporations encounter should be a consideration in determining content of corporate codes of ethics. Otherwise, corporate codes of ethics may be seen to be meaningless and may not foster corporate ethical values and principles on the tactical and operational levels. The code may be seen as window dressing on a strategic level, disconnected from the reality of the corporation's business operations and business environments.

In order to determine and compare the contents of the codes of ethics of the Australian, Canadian and Swedish corporations in this study, a modified version of a technique used in several studies (Cressey & Moore, 1983; Lefebvre & Singh, 1992; Wood, 2000). Carasco and Singh (2003) was applied to a total of 197 codes (78 Australian, 80 Canadian and 39 Swedish). The results of the analysis shown in Tables 2A–H, compare frequencies of mention on 61 items for codes from the three countries. Confining the analysis to these items is both a strength and a limitation: it provides a uniform method of analysis for comparative purposes but prevents the categorization of some data. However, the instrument may be amended and data from the current study suggest that three categories in which changes should be made are “Conduct on Behalf of the Firm” (e.g., truth in advertising), “Conduct Against the Firm” (e.g., employee harassment and discrimination) and “Laws Cited in the Codes” (e.g., human rights laws).

All in all, this paper advances the search for an explanation of business ethics standards and conduct

by analyzing the important antecedent organizational factor, corporate codes of ethics, across the nations of Australia, Canada, and Sweden.

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