

## Codes of Ethics Content: UK and Australian Corporations

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### Introduction

In the twentieth century, industrialized economies around the world enacted legislation to protect free trade, securities dealings, consumers, suppliers, shareholders and more recently other stakeholders (Hoffman *et al.*, 2003; Wood and Callaghan, 2003; Svensson and Wood, 2008). This legislation was prompted by some major business organizations in the developed world seizing opportunities to profit unethically and, in many cases, illegally. Subsequently, as the powers of large corporations grew and the malfeasance of others was becoming recognized, collectively, they were confronted by greater expectations from the societies in developed nations to behave in an ethical manner (Cleek and Leonard, 1998; Sørensen, 2002; Joyner and Payne, 2002; Lea, 1999; Spiller, 2000; Wood, 1991).

When corporations realize that there is a need to examine their ethical practices and to move forward proactively in this area, they invariably seek to develop artefacts that they can institute within their organizations to signal to all stakeholders, both external and internal, that they have a commitment to business ethics (Wood, 2002; Preuss, 2010). The implementation of a code of ethics is one such practice because it is a tangible artefact that can be seen and acted upon by all. These codes have been found to evolve over time and to differ between different national contexts (Singh *et al.*, 2005; Arnold *et al.*, 2007; Whyatt, Wood and Callaghan, 2012).

### Definitions of Codes

Corporations need to define and articulate the acceptable behaviours that they wish to inculcate (Singhapakdi and Vitell, 2007). Codes of ethics are a “distinct, and formal document which consists of moral standards that help guide employee or corporate behaviors” (Schwartz, 2005, p. 27). These documents vary in length, as does the breadth and extent of the topics covered.

Langlois and Schlegelmilch (1990, p. 522) 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.”*

Kaptein and Schwartz (2008, p. 113) postulate that a

*“business code is a distinct and formal document containing a set of prescriptions developed by and for a company to guide present and future behavior on multiple issues of at least its managers and employees toward one another, the company, external stakeholders and/or society in general.”*

The common themes amongst the definitions are that they are centred upon a code being a statement that encapsulates the moral standards of behaviour that the company wants to see exhibited by its employees. Codes recognise that employee actions must be considered in light of a myriad of

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3 stakeholder interests both internal and external to the organization and that their actions will impact  
4 upon their society as a whole.

## 6 **The Benefits of Codes**

8 There have been mixed findings by research studies on the effectiveness of corporate codes of ethics  
9 in influencing behavior. Some studies have found that having a code of ethics does have a positive  
10 impact on the ethical behaviour of the employees of the organisation (Ferrell and Skinner, 1988;  
11 McCabe, Trevino and Butterfield, 1996; Stohs and Brannick, 1999; Adams, Tashchian and Shore,  
12 2001; Wotruba, Chonko and Loe, 2001; Somers, 2001; Bodolica and Spraggon, 2015). Other studies  
13 have found this causal relationship not to be conclusively the case (Ford, Gray and Landrum, 1982;  
14 Cleek and Leonard, 1998; Mathews, 1998; McKendall, Demarr and Jones-Ridders, 2002). These  
15 findings are in many ways contradictory, yet they suggest that codes may be potentially valuable in  
16 corporate decision-making and as a signal to stakeholders of a company's organizational values.  
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20 Bodolica and Spraggon (2015) contend that the purpose of the code is not only to set the tone for the  
21 expected organizational conduct, but also to guide employees in the values and behaviours that a  
22 company wishes to instil into the organizational culture.  
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24 Kaptein (2014, p. 5) drawing upon his work of 1998 and 2011 put forward his belief that,  
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26 *“A code of ethics first and foremost creates clarity as it describes ethical behavior*  
27 *and distinguishes it from unethical behavior. A code can also foster commitment*  
28 *through its expression of values and principles employees can identify with, feel*  
29 *inspired by, be proud of, and become motivated to realize. A code of ethics can also*  
30 *create more space to discuss ethical issues given that it offers a normative framework*  
31 *that facilitates discussion and identifying and reporting violations (Kaptein 1998,*  
32 *2011a).”*  
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35 Codes of ethics provide a framework that helps employees understand what is expected of them and  
36 therefore assists them to be able to evaluate different possible courses of action in a variety of  
37 situations (Adams et al., 2001; Singh et al., 2011; Whyatt, Wood and Callaghan, 2012). As Preuss et  
38 al. (2016) state, codes have become one of the most widespread tools used by corporations to inculcate  
39 their value systems into their cultures.  
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42 A review of the articles published in the fifty years of the life of the Journal of World Business  
43 established seven major themes across the journal in those years (Harvey and Moeller, 2016). The  
44 third theme is 'Ethics' which Harvey and Moeller (2016, p. 6), define as, “an understanding of what is  
45 considered to be “right” and “wrong” conduct”. They go on to expand this theme into four areas for  
46 further investigation, two of which are: reconciling ethical standards among developed, transitional  
47 and emerging economies; and the integration of global employees in global organizations. The way  
48 that a corporation can look to achieve these lofty goals is to use a code of ethics as an instrument to  
49 operationalize said goals. A code should outline, from the perspective of the organization, what is  
50 'right' and 'wrong' behavior. In multinationals the code of ethics is the foundation stone upon which  
51 organizations endeavor to ensure that all employees, from all functional areas and geographic regions  
52 of the organization, can be integrated equally into the ethos of the organization.  
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7 **Comparison Studies**  
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9 Langlois and Schlegelmilch (1990) found differences between European and American codes in that  
10 while most ethical issues transcend national barriers, there were differences in the issues addressed by  
11 American and European (British, French and West German) codes. In particular, they concluded that  
12 European companies emphasized employee responsiveness to company activities, while firms in the  
13 United States stressed company responsiveness to employee requirements of fairness and equity.  
14 Furthermore, the study found differences among the codes of British, French and German companies.  
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17 Studies of codes of ethics and ethical values across cultures, have found that ethical beliefs vary  
18 across cultures and the emphasis on certain aspects of the content of a code of ethics may also differ  
19 between cultures (Arnold et al., 2007).  
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21 It is therefore critical, as emphasised by Singh et al. (2011) and re-emphasised by Bodolica and  
22 Spraggon (2015), that researchers monitor the content of codes of ethics to take account of these  
23 regional differences and changes over time (see Figure 1). This study aims to understand the  
24 differences in the content of codes of ethics between two cultures at a point in time, and in so doing  
25 the objectives are twofold:  
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- 28 1. To establish the current topics (TIME) included in today's codes of ethics in the largest  
29 corporations operating in the United Kingdom and Australia.  
30
- 31 2. To examine if there are distinct differences (CULTURE) in the contents of the codes of  
32 ethics of the top 50 companies listed on the London Stock Exchange, as compared to the  
33 contents of the codes of ethics of the top 50 companies listed on the Australian Stock  
34 Exchange.  
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38 Insert Figure 1  
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41 The study of code content across cultures is therefore not an esoteric exercise, but one that can provide  
42 tangible evidence of what large corporations operating across many business jurisdictions are trying to  
43 achieve in their desire to be seen by their stakeholders as practising Corporate Social Responsibility.  
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46 **Comparative Indicators - Australia and the United Kingdom**

47 The economies of both countries are well developed. Australia has a prosperous Western-style  
48 capitalist economy, with a per capita GDP on par with the four dominant West European economies.  
49 Up until 2014, Australia had continuous economic growth for the previous 20 years based ostensibly  
50 on the resource boom in Asia and in particular on the insatiable desire for raw materials in the Peoples  
51 Republic of China. The Global Financial Crisis had a limited effect on Australia due to the strength of  
52 its banking sector. It needs to be noted that in 2015, the Australian economy was not as robust as in  
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2 the previous two decades, due largely to a fall in commodity prices that have impacted upon its  
3 GDP (CIA, 2015).  
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6 After Germany and France, the United Kingdom is the third largest economy in Europe. The services  
7 sector is the key driver of its economy. Unlike Australia, it did not fare well during the Global  
8 Financial Crisis and when the Cameron Government came to power in 2010 it implemented an  
9 austerity program in an endeavor to return the country to a better fiscal position (CIA, 2015).  
10

11 The United Kingdom's GDP is US\$2,435 million (\$US Purchasing Power Parity), Australia's is  
12 US\$1,100 million (see Table 1). In both countries, the services sector generates the majority of  
13 the GDP. There is a discernible difference in the GDP per capita for each country with Australia  
14 having a 17.6% greater GDP per capita (Australia: US\$54,800; UK: US\$46,600).  
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17 In 2014, the inflation rate in both countries was below 3% (see Table 1) with the UK at 2%  
18 and Australia at 2.7%. The UK in 2014 had a greater GDP Real Growth rate of 3.2% as  
19 compared to Australia's of 2.8%. The UK economy had an inflation rate of 1.6% as compared  
20 to Australia of 2.7%. When one examines the Public Debt to GDP ratio, the Australian  
21 economy is in a much sounder position than the UK economy. Australia's ratio is at 34% of GDP  
22 whilst the UK's ratio is at 86.6% of GDP. Life expectancy in Australia is 82.07 years whilst in the  
23 UK it is 80.42 years. The population growth rate in Australia of 1.09% is twice that of the UK at  
24 0.54%, however, on a world scale, both economies are similar in many respects.  
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28 Insert Table 1  
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30 Australia and the United Kingdom were among the countries studied by Hofstede in developing  
31 his dimensions of national culture. In that seminal study, he identified the following four  
32 dimensions of national culture: Individualism versus Collectivism (IC); Large or Small Power  
33 Distance (PD); Strong or Weak Uncertainty Avoidance (UA); Masculinity versus Femininity  
34 (MF) (Hofstede, 1983). Hofstede's research, involving a data bank of 40 countries and 116,000  
35 questionnaires, allowed him to assign an index value (between 0 and about 100) on each of the  
36 four dimensions. Scores on these dimensions for Australia and the UK are shown in Table 2.  
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39 Insert Table 2  
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41 On Individualism versus Collectivism, a measure of the relationship between an individual and  
42 his fellow individuals, Australia is (90) and the United Kingdom is (89). These scores are two of the  
43 three highest, only being higher in the USA (91) (Hofstede, 2017). Both cultures are highly  
44 individualistic with an expectation that one looks after oneself and one's family.

45 On Power Distance, a measure of the unequal distribution of power in society, the Australian  
46 (36), and United Kingdom (35) scores are close in value. Both societies appear to tend  
47 towards egalitarianism with one's worth decided by one's actions from birth rather than one's  
48 entitlement at birth. Both cultures have a tendency towards fair play (Hofstede, 2017).  
49

50 The Uncertainty Avoidance Index (UAI), which is a measure of how a society deals with uncertainty,  
51 is related to the propensity of a culture to establish laws and formal rules, such as codes of  
52 ethics. Societies strong on Uncertainty Avoidance are more likely to establish formal rules to  
53 deal with unpredictability. Australia and the United Kingdom have scores of 51 and 35 respectively  
54 (Hofstede, 2017).  
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2 The UK has a lower score than Australia on this dimension and a score that is comparatively low on  
3 the world scale. The British appear to be able to handle ambiguous situations more readily than  
4 do Australians.  
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7 Masculinity versus Femininity is a measure of the division of roles between the genders (Hofstede,  
8 1983, p. 85). Both Australia [61] and the United Kingdom [66] are high on being masculine societies  
9 (Hofstede, 2017). Masculine societies are deemed to be highly success oriented and predicated on a  
10 belief that the spoils attributed to a ‘winner takes all’ mindset is acceptable.  
11

12 Whilst one could not claim that the cultures mirror each other, one could only but be interested in the  
13 similarities that exist between them. These similarities are rooted in over two hundred years of  
14 kindred history in which Australia was a British colony from 1788 until 1901. The links between the  
15 two countries forged so long ago, are enshrined in the fact that Australia, like the United Kingdom, is  
16 a constitutional monarchy with the Head of State of both countries being Queen Elizabeth the Second  
17 of Great Britain.  
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### 19 **Method of Collection of the Codes**

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21 The sample size of fifty was chosen based upon the work of Winkler (2011) who surveyed the top  
22 thirty companies listed on the DAX Top 30. Winkler’s reasoning for using the top thirty companies in  
23 Germany is applicable in the context of this study in Australia and the United Kingdom. He contended  
24 that these blue chip, top thirty companies listed on the Frankfurt Stock Exchange were, “arguably the  
25 most visible German enterprises and therefore the most important as perceived by investors, business  
26 analysts and the public.” Winkler (2011, p. 657). Winkler (2011) believed that an analysis of the  
27 codes of these companies was appropriate, because they were leaders in the German economy and  
28 could therefore be seen as representative of large German companies.  
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31 The method of collection was to obtain the list of the 50 top companies listed on the London Stock  
32 Exchange [LSE,] and the 50 top companies listed on the Australian Stock Exchange [ASX] based on  
33 market capitalisation. The code of each of these companies was then sourced from the internet. Of the  
34 LSE listed top 50 companies (LSE, 2015), 46 codes were able to be downloaded from the internet,  
35 whilst in Australia it was the codes of 47 companies that were able to be downloaded from the  
36 internet (ASX, 2015). The remaining companies in each jurisdiction all mentioned a code of ethics on  
37 their websites, but it was not possible to gain access to them.  
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40 Two companies, BHP Billiton and Rio Tinto, were listed on both stock exchanges.  
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### 42 **Presentation of Results**

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44 Of those companies listed on the Australian Stock Exchange, 85.1% are Australian based whilst only  
45 54.3% of companies listed on the United Kingdom Stock Exchange are UK based. The list of the UK  
46 Stock Exchange top 50 companies is more international in make-up than the Australian Stock  
47 Exchange top 50 listed companies [Table 3].  
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51 Insert Table 3  
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3 **Content Analysis of the Codes of Ethics: Proffering a New Instrument of Analysis**  
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5 This study of the content of codes of ethics in both jurisdictions builds upon the work of Cressey and  
6 Moore (1983); Mathews (1987); Lefebvre and Singh (1992); Wood (2000); Singh, et al. (2005); Singh  
7 (2006); Svensson et al. (2009); Singh et al. (2011) and Singh (2015), in which the contents of codes of  
8 ethics across the corporate sectors of the USA, Australia, Canada and Sweden were analysed to assess  
9 what items were incorporated into the codes.  
10

11 Wood (2000) used eight dimensions with 62 items and performed the content analyses differently  
12 from Lefebvre and Singh (1992) and Mathews (1987). In Wood’s (2000) case, the frequency of  
13 mention was maintained within each item, but the amount of space or ‘implied relative importance’  
14 of each item was not used. The main reason proffered for this modification to the methodology was  
15 that the amount of space devoted to an item within the code may not necessarily correlate with the  
16 importance that the organization attaches to it. The space devoted to it could well be a feature of the  
17 difficulty in expressing the item, rather than being implied as to its degree of worth. Some of the most  
18 central tenets in a culture can be expressed easily because we understand the importance of the item  
19 itself and it is integral to our culture. Wood’s approach has been used by Preuss (2010) in his work on  
20 UK codes and on codes being used in the developing world by major corporations (Preuss *et al.*,  
21 2016). The study by Singh et al. (2005) appears to be the last study conducted in Australia, and the  
22 work of Preuss (2010) is the most recent study undertaken in the UK on code content.  
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26 The content analyses of this research, uses the approach applied by Wood (2000). Since Wood’s study  
27 not only has there been a proliferation in the themes that are prominent in codes of ethics, but also the  
28 code items have become more specific. The list has grown to 86 items across seven dimensions as  
29 shown in Figure 2.  
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36 This finding is interesting in light of the work of McDonald (2009) who observed that over time codes  
37 have moved from a narrow focus on issues such as conflict of interest to now encompass issues that  
38 focus more so upon stakeholders and society at large. Also, Singh’s (2015, p. 382) work contends that  
39 the codes of ethics of Canada’s largest corporations “have become more prescriptive and suggests a  
40 desire to avoid uncertainty in addressing possible ethical dilemmas...”  
41

42 In the area of ‘Conduct on Behalf of the Company’ [Table 4], the 14 items were increased to 18 items.  
43 Previously, items 2 and 3 had been combined, but it was decided that as the item was double  
44 barrelled, then it was desirable to split it into two separate items (Svensson, 2018). Stakeholders were  
45 often mentioned in recent codes, so they became item 6 and to catch any other conduct not listed then  
46 an ‘Other Conduct on behalf of the Company’ category was included as item 18.  
47  
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49 The greatest growth of categories was in the area of ‘Conduct against the Company’ [Table 5].  
50 Originally there were 8 items, being item numbers 19-22 and 34-37 in the current document, but after  
51 reading the codes it became apparent that other items were being mentioned frequently and needed to  
52 be recorded as individual items to give greater clarity to code content. These extra 11 items are in  
53 many ways reflective of the evolution of our current culture during the Internet Age, such as the ‘Use  
54 of computer software and or hardware’; ‘Intellectual property rights’; ‘Communicating with the media  
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3 and outside publics' which also had links to the use of social media; 'Truth in communication  
4 including advertising'. A number of the other items are indicative of a greater expectation of greater  
5 respect for each other in our dealings today rather than thirty years ago. Issues such as 'Relations with  
6 fellow employees'; 'Employee harassment and discrimination'; 'Retaliation against others';  
7 and 'Post-employment obligations' highlight this shift in attitudes in respect to acceptable  
8 behaviour against the company and each other.  
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10  
11 In respect to 'Laws and Conventions cited' [Table 6] 7 items have been added. The inclusions  
12 of 'Copyright'; 'Data Protection'; 'EEO'; 'Money Laundering'; and 'Labour' highlight a shift in  
13 attitude by legislators to these practices and the need to ensure the integrity of these processes. The  
14 copyright and data protection laws are directly related to the increase in the capabilities of the  
15 internet to aid individuals who do not want to exhibit the correct behaviours. The acknowledgment  
16 of the need to consider 'Human Rights' and the 'UN Global Compact' signifies a shift in focus of  
17 many companies to consider these issues in their everyday dealings in the marketplace. This  
18 change in behaviour is reinforced in Table 7 'Government Agencies and Conventions' where  
19 the 'United Nations'; 'Organization for Economic Co-operation and Development'; and the  
20 'International Labour Organization' are now being named in codes of ethics.  
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23  
24 In respect to the 'Types of Compliance and Enforcement' [Table 8] only one extra item was  
25 added and that was Item 72. That item, in respect to seeking advice from, or reporting breaches  
26 to, an organizational representative, has had added to it: that an employee is now also advised to  
27 contact people in the 'Human Resource Management Department'. In previous readings of the  
28 codes, the reporting of issues of concern was directed towards those individuals and/or entities  
29 that are more compliance related such as senior managers, supervisors, legal representatives,  
30 watchdog committees and /or signing compliance affidavits to affirm that one has abided by the  
31 intent of the code. The inclusion of the Human Resource Management Department may highlight a  
32 shift in significance as to the role of HRM professionals within the organization. In Table 9  
33 'Penalties for Illegal Behaviour' and in Table 10 'General Information' there were no extra items  
34 included.  
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### 36 *Conduct on Behalf of the Company*

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39 Conduct on Behalf of the Company [Table 4] examines those activities that can occur in the  
40 marketplace in the name of the company. The code items that show a significance difference at  
41 greater than  $\alpha=0.05$  are Relations with 'Customers', 'Suppliers', 'Employees', 'Stakeholders',  
42 'Investors'; 'Payments or political contributions to governments or government officials and  
43 employees' and the 'Accepting and or giving of bribes or kickbacks gifts and entertainment'. These  
44 findings are not surprising as one would hope and expect that organizations in both jurisdictions are  
45 focused upon their customers, their suppliers, their employees, their investors and their impacts upon  
46 stakeholders. In both jurisdictions there are laws that govern not only these interactions, but those  
47 behaviours that may be perceived as bribes or kickbacks or anything outside of the law seeking to  
48 obtain a competitive and/or financial advantage that is deemed unacceptable and in many cases  
49 illegal.  
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51  
52 Those elements of the code that are cited at a significance difference of equal to or less than  $\alpha=0.05$   
53 are: 'Relations with home government'; 'Relations with competitors'; 'Relations with foreign  
54 governments'; 'Civic and Community affairs'; 'Relations with consumers'; 'Environmental affairs';  
55 'Product safety and product quality'. The United Kingdom codes are more engaged with each one of  
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3 these items. As the United Kingdom codes represent some of the larger multinationals in the world, it  
4 is not surprising that there would be a greater focus on relations with both one's home government  
5 and foreign governments. The striking differences between the two groups of codes, in the areas of  
6 'Civic and Community affairs'; 'Environmental affairs' and 'Product safety and product quality', are  
7 of real interest. In both jurisdictions in the last twenty years there has been an increased expectation  
8 for businesses to be involved with their community and to strongly exhibit a responsibility to society  
9 at large. It is assumed that this requires a parallel focus upon environmental affairs and the need to  
10 produce safe products of high quality.  
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14 Insert Table 4  
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18 The question as to 'Why are UK listed companies so far ahead of Australian listed companies in these  
19 areas?' is not easily answered. The difference may be explained by the fact that the codes of UK  
20 based organizations represent countries across a wider spectrum of the world's business regions than  
21 is the case with Australian organizations. Some of these practices in developing countries are not as  
22 well enshrined as they are in the developed world in which Australian organizations predominantly do  
23 business.  
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26 Point 18 'Other conduct on behalf of the company' produced many and varied responses from both  
27 groups. The array of points in the Australian codes is less colourful than those in the United Kingdom  
28 codes.  
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30 In Australia, some of the points deemed as more interesting were: one must tell the truth to regulators;  
31 no employee can give gifts of drugs to a third party; market manipulation is not to be accepted; when  
32 speaking at conferences one must ensure that commercial-in-confidence propriety is maintained; no  
33 computer hacking of competitors is to be undertaken; and if there is a conflict between the laws in the  
34 jurisdiction where one is working and the ethos of the code, then one must adhere to the higher  
35 standard of behaviour.  
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38 In respect to point 18, in the United Kingdom based codes, the array of points were: there is to be no  
39 distorting of markets; one shall not do business with terrorists; nor work with organised crime; an  
40 employee should not engage lobbyists; nor should an employee engage in industrial espionage; and if  
41 there is a conflict between the laws in the jurisdiction where one is working and the ethos of the code,  
42 then one must adhere to the higher standard of behaviour.  
43

44 In point 18, the topic of Facilitation Payments arose across both groups of codes. Facilitation  
45 payments are those payments made to facilitate business that is seen by many as a **sanitized** term for  
46 giving a bribe or a kickback (Argandoña, 2005).  
47

48 The general consensus in Australia was that one should not indulge in facilitation payments at all, but  
49 not all organizations, as one company stated, subscribed to this view. As facilitation payments are  
50 illegal under the 2010 UK Bribery Act, one would expect it to not be supported by any company in  
51 the UK, but one company said it was acceptable if an employee's safety was at risk.  
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54 *Conduct Against the Company:*  
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3 The area of ‘Conduct Against the Company’ [Table 5] examines those activities that can occur in the  
4 marketplace against the best interests of the company as done by its own employees. The code items  
5 that show significant difference at equal to or less than  $\alpha=0.05$  are ‘Integrity of books and records’;  
6 ‘Intellectual property rights’; ‘Drugs including alcohol’; ‘Participation in the political process’;  
7 ‘Retaliation against others’; ‘Truth in communication including advertising’. The only one of these  
8 items that occurs more in Australian codes than in UK codes is ‘Drugs including alcohol’. UK  
9 companies do business across a greater diversity of countries than most Australian listed companies  
10 do. This could lead to greater awareness in the UK of the possibility that issues more accepted as  
11 being *de rigeur* in terms of consideration in the Australian context, may be flouted in some of the  
12 overseas jurisdictions in which they operate.  
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15 Insert Table 5  
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19 In Australia, ‘Other conduct against the company’ included, but was not limited to, attending an  
20 inappropriate adult venue; destroying documents if knowing of an impending investigation; misuse of  
21 employee benefits; misleading statements to auditors; introducing a computer virus; and failing to  
22 notify of a personal romantic relationship in a direct reporting relationship.  
23

24 ‘Other conduct against the company’ in the UK included, but was not limited to, not to get involved in  
25 casinos or gambling; bringing of weapons to work; tax avoidance; placing in circulation counterfeit  
26 bank notes; being exploited by criminals; obstructing investigators; not following standing  
27 instructions if there is a dawn raid by the competition authority; retaliation against those who join a  
28 union.  
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30  
31 The differences in the two groups of responses one could suggest again is indicative of the more  
32 international marketplaces in which the UK companies engage and of practices in some jurisdictions  
33 around the world that are not usually experienced as such in Australia. Both lists have obviously been  
34 predicated upon previous or perhaps expected behaviours which in some cases are extraordinary and  
35 not expected in a workplace. The UK list is more colourful than the Australian list where bringing  
36 weapons to work; placing in circulation counterfeit bank notes and making plans for dawn raids by  
37 the competition authority seem at the extreme end of what may happen in Australian listed companies  
38 and for that matter in UK listed organizations.  
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#### 40 *Laws and Conventions Cited*

41  
42 The elements of the code that were cited at a difference of  $\alpha=0.05$  in ‘Laws and Conventions cited’  
43 are: ‘Competition’; ‘Environment’; ‘Food and Drugs’; ‘Product safety and quality’; ‘Bribes or  
44 payments to government officials’; ‘Copyright’; ‘Boycott’; ‘Money laundering’; ‘Labour’; ‘Human  
45 Rights’; and ‘Other laws and conventions’ [Table 6]. In every case, the UK frequency of mention of  
46 these elements in their codes leads their Australian counterparts. These significant differences may be  
47 due to the fact that the companies listed on the UK Stock Exchange are more global in nature than  
48 their Australian counterparts and they thus work in a variety of jurisdictions in which, as a company  
49 based in the developed world, one needs to be aware of the situations that one may encounter in less  
50 developed jurisdictions. Working in more diverse international environments leads to the UK  
51 organizations needing to ensure that their employees are cognizant of issues that centre around labour  
52 laws and human rights conventions, whilst at the same time being aware that their practices do not  
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3 violate international conventions and laws in respect to either knowingly or unwittingly assisting  
4 malfeasance by others in their areas of business.  
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9 Insert Table 6  
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12  
13 ‘Other laws/conventions’ mentioned in the UK codes were the Equator principles; unions; terrorism;  
14 procurement laws; no contact with crime syndicates or drug dealers; the EU Transparency Register;  
15 corruption; freedom of association; collective bargaining.  
16

17 ‘Other laws/conventions’ mentioned in Australia were the OECD Guidelines for Multinational  
18 Enterprises; freedom of association; obeying road rules when in charge of a company vehicle. These  
19 laws/conventions mentioned in Australia were not as focussed on major structural wrongdoing, as  
20 those mentioned in the UK codes appear to be.  
21

### 22 *Government Agencies and Conventions*

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24 The two elements of the code that were cited at a difference of  $\alpha=0.05$  in the area of ‘Government  
25 Agencies and Conventions’ are the ‘United Nations’ and the ‘International Labour Organization’  
26 [Table 7]. As stated in respect to ‘Laws and Conventions cited’ [Table 6] the same reasons for greater  
27 involvement by UK listed companies in international business may well explain these differences.  
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31 Insert Table 7  
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### 34 *Types of Compliance/Enforcement*

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36 The elements of the code that were cited at a difference of  $\alpha=0.05$  in ‘Types of  
37 Compliance/Enforcement’ were ‘Supervisor surveillance’; ‘Other oversight procedures’; ‘Senior role  
38 models’; and ‘Other external’ [Table 8]. In respect to ‘Supervisor surveillance’, it would appear that  
39 nearly 60% of UK companies expect supervisors to ensure that all is well with their employees, whilst  
40 in Australia this need is only formally recognised in fewer than 25% of organizations. In the UK,  
41 45.7% of companies expect senior staff to be role models whilst in Australia this role is expected in  
42 only 25.5% of companies. There may be a link here in respect to the more proactive and engaged role  
43 that UK companies expect their supervisors to take, not only in the surveillance of others, but in  
44 scoping and modelling the correct behaviours expected of staff.  
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48 In both groups, employees needing to self-report hovers around 90% which in both groups is far in  
49 excess of the next most mentioned item. Whilst companies in both groups employ a range of types of  
50 compliance and enforcement, they expect their employees to self-monitor and self-report when they  
51 witness actions that are contrary to the best interests of their organizations, their fellow employees  
52 and/or themselves.  
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Insert Table 8  
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### *Penalties for Illegal Behaviour*

The only element of the code that was cited at a difference of  $\alpha=0.05$  in ‘Penalties for Illegal Behaviour’ was ‘Dismissal/Firing’ [Aus:85.1%:UK:54.3%] [Table 9]. One should not jump to the conclusion that UK companies in only just over 50% of companies consider this option, because whilst not explicitly stated as such, in UK companies, one would expect, that miscreant behaviours would invoke dismissal and firing, but this item may well have been subsumed into the element of ‘Other internal penalty’.

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Insert Table 9  
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### *General Information*

The only element of the ‘General Information’ [Table 10] that is cited at a difference of  $\alpha=0.05$  or less is ‘Letter/Introductory remarks from the CEO’ [Aus:55.3%:UK:89.1%]. When the basis of this classification instrument was constructed over thirty years ago by Cressey and Moore, (1983) the internet had not been invented and code documents had to be all encompassing in what was presented to employees by the company. A forward commentary supporting the code from the CEO or another significant officer in the company conferred the imprimatur of the senior management on the document for employees as to the need to know of and abide by the code. Since the invention of the internet and its now pervasive nature, over the last twenty years, in all that we do, a code now may be one of many documents that is considered required by organizations and is often loaded upon the company website in an area focussed on CSR, with a general forward from the senior manager expressing an employee’s need to engage with the code that may not be specifically included in the code itself.

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Insert Table 10  
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### **Managerial Relevance**

In the last thirty years, many major corporations have become notorious for their failure to uphold both legal and ethical standards. It is of no surprise that business ethics continue to be a key concern to the public, regulators and governments. As a result of these issues most major corporations have adopted a code of ethics, however, to influence employee **behavior** at all levels, their challenge today is ensuring that such codes are embedded in their business culture. Existing research has shown that within an international arena, codes of ethics take on additional importance and complexity. To be effective, the articulation of these statements of ethical behavior standards must recognize both the national culture in which the corporation is based, and the national cultures in which the organization

operates, therefore it is crucial that management understand both: i) differences in national cultures, and ii) the influence that these cultures have on ethical standards and employee behavioral responses to them.

This research contributes to this understanding by demonstrating the differences and similarities in expected ethical standards in organizations based in two countries that, on the face of it have a shared cultural history. This research finds that although there are many similarities, there are some major differences between UK and Australian approaches. The authors speculate that these differences may be due to cultures based on different life styles, and that also Australian companies have moved into international marketplaces more recently than those in the UK, however, no causal path is identified.

### **Conclusion:**

The establishment and use of codes of ethics by corporations have become mainstream across the developed world (Erwin, 2011) and, as previously noted, numerous studies have been conducted over the last thirty years in respect to codes of ethics. Studies that have undertaken cross cultural comparisons of codes of ethics have indicated that national differences in ethical beliefs and values are reflected in the content of codes employed by the corporations that operate within those countries (Arnold et al., 2007). The importance of investigating and noting such differences is essential to understanding and evaluating ethical behaviour in the workplace (Singh, 2011; Bodolica and Spraggon, 2015).

It is apparent from the reading of the codes in this study that the contentions of McDonald (2009) and Singh (2015) that codes are becoming more prescriptive in their content is correct with an increase from 62 code items in previous studies to 86 code items uncovered in this study. Organizations are becoming ever more prescriptive in their delineation of behaviours that are either acceptable and/or unacceptable in business practices today. The array of items mentioned in the 'Other Items' areas is an interesting insight into some of the behaviours that organizations have either witnessed and/or from which they have suffered. Such items as, no computer hacking of competitors is to be undertaken; one shall not do business with terrorists; nor work with organised crime; destroy documents if knowing of an impending investigation; place in circulation counterfeit bank notes; and being aware of and following standing instructions if there is a dawn raid by the competition authority, make one think deeply about what our organizations are seeing, experiencing and/or trying to combat in their various marketplaces.

Based on cultural heritage and legal commonality, it would be reasonable to assume that few substantive differences would be evident between the approaches of Australian and UK codes of ethics. The expectation that parity would exist between respective codes of ethics is reasonable. At face value, this appears to be supported in this research with 51 of the 86 items (59.3%) showing no significant difference at  $\alpha=0.05$ , however significant differences ( $\alpha=0.05$ ) between the UK and Australian codes were found across the remaining 35 of the 86 items, with Australian codes exceeding the UK on the frequency of only one item, within the 'Penalties for Illegal Behaviour': 'Drugs including alcohol' (59.6% included this item, compared to 32.6% in the UK). The Australian culture of a more recreationally based lifestyle may well be a key influencer in the need for Australian corporations to be more prescriptive on this item.

This research provides valuable insights into the similarities and differences that exist between the expected ethical standards in corporations based in two close and culturally related business

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jurisdictions. Highlighting these insights is valuable for both scholars and practitioners, and establishes a very real contribution to knowledge. Whilst these results should only be considered as a reflection of the sample under investigation, this paper does provide a sound basis for further investigation and cross country comparisons of corporate codes of ethics across both differing and/or similar cultures and provides a more contemporary instrument for analysing codes than has been previously available. This paper is a valuable contribution to contemporary research practice in this area, as it: i) creates a series of potential benchmarks that can be compared over time, ii) substantially enhances our knowledge of the development of code content over time, and iii) provides insight into the impact of culture where differences occur.

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**Table 1: Australia and the United Kingdom: Comparative Economic and Population Statistics**

<b>Socio-Economic Indicator</b>	<b>Australia</b>	<b>United Kingdom</b>	<b>USA</b>
Gross Domestic Product (Purchasing Power Parity US\$)	\$1,100 billion (2014 est.)	\$2,435 billion (2014 est.)	\$17,420 billion (2014 est.)
GDP Real Growth Rate	2.8% (2014 est.)	3.2% (2014 est.)	2.4% (2014 est.)
GDP/Capita (Purchasing Power Parity –US\$)	\$46,600 (2014 est.)	\$37,700 (2014 est.)	\$54,800 (2014 est.)
Public Debt/GDP	34.5% (2014 est.)	86.6% (2014 est.)	71.2% (2014 est.)
Inflation Rate	2.7% (2014 est.)	1.6% (2014 est.)	2.0% (2014 est.)
Population	22,507,617 (July 2014 est.)	63,742,977 (July 2014 est.)	318,892,103 (July 2014 est.)
Population Growth Rate	1.09% (2014 est.)	0.54% (2014 est.)	0.77% (2014 est.)
Life Expectancy	82.07 years	80.42 years	79.56 years

Source: CIA World Fact Book (2015)

[NB: USA as a benchmark]

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3 **Table 2: Dimensions of National Culture**  
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Country	IDV	PDI	UAI	MAS
Australia	90	36	51	61
United Kingdom	89	35	35	66
USA	91	40	46	62

14 (Hofstede, 2017)

15 [NB: USA used as a benchmark]  
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19 **Table 3: The Country of Business Domicile**  
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Country	Aust n=47	Aust %	UK n=46	UK %
Australia	40*	85.1	0	0.0
UK	3	6.4	25	54.3
USA	1	2.1	9	19.6
European	0	0.0	9	19.6
Ireland	1**	2.1	0	0.0
PNG	1	2.1	0	0.0
Other	1	2.1	3	6.5
<b>Total</b>	<b>47</b>	<b>100</b>	<b>46</b>	<b>100</b>

33 \* an Australian company that identifies as UK based on the LSE

34 \*\* an Australian company that identifies as Irish on the ASX  
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**Table 4: Conduct On Behalf of the Company**

	<b>Aust</b>	<b>Aust</b>	<b>UK</b>	<b>UK</b>	<b>Z test</b>
	<b>n=47</b>	<b>%</b>	<b>n=46</b>	<b>%</b>	
1. Relations with Home Gov't	26	55.3	39	84.8	0.00
2. Relations with customers	44	93.6	44	95.7	0.66
3. Relations with suppliers	40	85.1	44	95.7	0.08
4. Relations with employees	42	89.4	42	91.3	0.75
5. Employees health and safety	39	83.0	44	95.7	0.05
6. Relations with stakeholders	32	68.1	32	69.6	0.90
7. Relations with competitors	19	40.4	38	82.6	0.00
8. Relations with foreign gov'ts	12	25.5	33	71.7	0.00
9. Relations with investors	32	68.1	37	80.4	0.17
10. Civic and Community affairs	31	66.0	39	84.8	0.04
11. Relations with consumers	10	21.3	19	41.3	0.04
12. Environmental affairs	32	68.1	43	93.5	0.00
13. Product safety	9	19.1	26	56.5	0.00
14. Product quality	17	36.2	33	71.7	0.00
15. Payments or political contributions to gov'ts or gov't officials or employees	26	55.3	33	71.7	0.10
16. Acceptance of bribes, kickbacks, gift/ entertainment	42	89.4	42	91.3	0.75
17. Giving of bribes, kickbacks, gifts/entertainment	41	87.2	42	91.3	0.53
18. Other conduct on behalf of the company	32	68.1	39	84.8	0.06

**Table 5: Conduct Against the Company**

<b>Conduct Against the Company</b>	<b>Aust</b>		<b>UK</b>		<b>Z test</b>
	<b>n=47</b>	<b>%</b>	<b>n=46</b>	<b>%</b>	
19. Conflict of interest	47	100	44	95.1	0.15
20. Divulging trade secrets/proprietary information	45	95.7	42	91.3	0.38
21. Insider trading information	43	91.5	40	87.0	0.48
22. Integrity of books and records	30	63.8	42	91.3	0.00
23. Employee harassment and discrimination	39	83.0	44	95.7	0.05
24. Relations with fellow employees.	32	68.1	36	78.3	0.27
25. Intellectual property rights	16	34.0	35	76.1	0.00
26. Use of corporate assets	40	85.1	38	82.6	0.74
27. Drugs including alcohol	28	59.6	15	32.6	0.01
28. Communicating with the media and outside publics	27	57.4	26	56.5	0.93
29. Post-employment obligations	14	29.8	10	21.8	0.37
30. Participation in the political process	18	38.3	33	71.7	0.00
31. Retaliation against others	23	48.9	38	82.6	0.00
32. Use of computer software and or hardware	29	61.7	31	67.4	0.57
33. Truth in communication including advertising	15	31.9	29	63.0	0.00
34. Personal character matters	24	51.1	29	63.0	0.24
35. Legal responsibility	43	91.5	38	82.6	0.20
36. Ethical responsibility	42	89.4	40	87.0	0.71
37. Other conduct against the firm	42	89.4	43	93.5	0.48

**Table 6: Laws and Conventions cited**

<b>Laws and Conventions cited</b>	<b>Aust</b>	<b>Aust</b>	<b>UK</b>	<b>UK</b>	<b>Z test</b>
	<b>n=47</b>	<b>%</b>	<b>n=46</b>	<b>%</b>	
38. Competition Act/Anti-trust/TPA*	26	55.3	40	87.0	0.00
39. Securities	28	59.6	25	54.3	0.61
40. Environment	4	8.5	26	56.5	0.00
41. Food and Drugs	0	0	7	15.2	0.00
42. Product safety and quality	4	8.5	11	23.9	0.04
43. Worker health/safety	15	31.9	21	45.7	0.17
44. Bribes or payments to gov'ts or officials	17	36.2	27	58.7	0.03
45. False advertising	1	2.1	4	8.7	0.16
46. Copyright	5	10.6	17	37.0	0.00
47. Data protection	23	48.9	28	60.9	0.25
48. EEO and discrimination	25	53.2	21	45.7	0.47
49. Boycott	7	14.9	25	54.3	0.00
50. Money laundering	7	14.9	17	37.0	0.02
51. Labour	7	14.9	28	60.9	0.00
52. Human Rights	10	21.3	29	63.0	0.00
53. UN Global Compact	6	12.8	9	19.6	0.37
54. Other laws/conventions	25	43.2	41	89.1	0.00

**Table 7: Government Agencies and Conventions**

<b>Government Agencies and Conventions</b>	<b>Aust</b>	<b>Aust</b>	<b>UK</b>	<b>UK</b>	<b>Z test</b>
	<b>n=47</b>	<b>%</b>	<b>n=46</b>	<b>%</b>	
55. Competition Tribunal / TPA	1	2.1	3	6.5	0.30
56. UN	6	12.8	17	37.0	0.01
57. OECD	3	6.4	6	13.0	0.28
58. ILO	2	4.3	11	23.9	0.01
59. Other agencies/conventions	1	2.1	3	6.5	0.30

**Table 8: Types of Compliance/Enforcement**

<b>Types of Compliance/Enforcement</b>	<b>Aust</b>	<b>Aust</b>	<b>UK</b>	<b>UK</b>	<b>Z test</b>
	<b>n=47</b>	<b>%</b>	<b>n=46</b>	<b>%</b>	
<b>Internal Oversight</b>					
60. Supervisor surveillance	11	23.4	27	58.7	0.00
61. Internal watchdog committee	2	4.3	6	13.0	0.13
62. Internal audits	5	10.6	4	8.7	0.75
63. Read and understand affidavit	7	14.9	9	19.6	0.55
64. Routine financial budgetary review	0	0	0	0	-
65. Legal department review	0	0	0	0	-
66. Other oversight procedures	6	12.8	15	32.6	0.02
<b>Internal-Personal Integrity</b>					
67. Supervisor	42	89.4	36	65.2	0.14
68. Internal watchdog committee	4	8.5	7	15.2	0.32
69. Corporation's legal counsel	22	46.8	26	56.5	0.35
70. Compliance affidavits	2	4.3	3	6.5	0.63
71. Employee integrity	43	91.5	41	89.1	0.70
72. HRM department	17	36.2	16	34.8	0.89
73. Senior management role models	12	25.5	21	45.7	0.04
74. Other (in firm)	27	57.5	31	67.4	0.32
<b>External</b>					
75. Independent auditors	0	0	0	0	-
76. Law enforcement	0	0	0	0	-
77. Other external	6	12.8	15	32.6	0.02

**Table 9: Penalties for Illegal Behaviour**

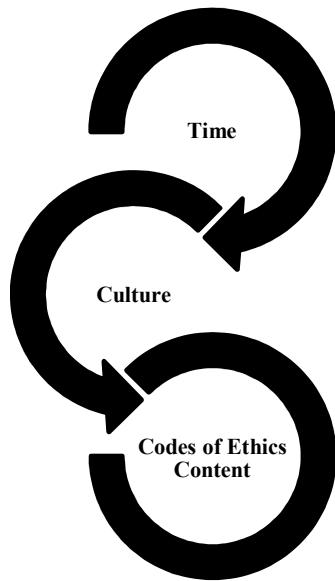
<b>Penalties for Illegal Behaviour</b>	<b>Aust</b>	<b>Aust</b>	<b>UK</b>	<b>UK</b>	<b>Z test</b>
	<b>n=47</b>	<b>%</b>	<b>n=46</b>	<b>%</b>	
<b>Internal</b>					
78. Reprimand	9	19.1	4	8.7	0.15
79. Fine	2	4.3	4	8.7	0.39
80. Demotion	4	8.5	1	2.2	0.18
81. Dismissal/Firing	40	85.1	25	54.3	0.00
82. Other internal penalty	29	61.7	35	76.1	0.13
<b>External</b>					
83. Legal prosecution	25	53.3	26	56.5	0.75
84. Other external penalty	4	8.5	5	10.9	0.70

**Table 10: General Information**

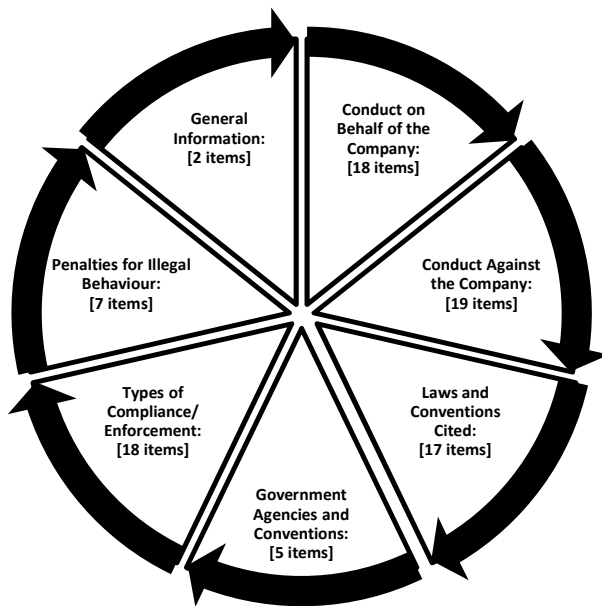
<b>General Information</b>	<b>Aust</b>	<b>Aust</b>	<b>UK</b>	<b>UK</b>	<b>Z test</b>
	<b>n=47</b>	<b>%</b>	<b>n=46</b>	<b>%</b>	
85. Need to maintain corporation's good reputation	33	70.2	39	84.8	0.09
86. Letter/Introductory remarks from the President/CEO/Chairperson of the Board	26	55.3	41	89.1	0.00



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**Figure 1:** Code of Ethics Content through Time and across Cultures



**Figure 2:** Content of Codes of Ethics - Dimensions

[NB: The direction of the arrows signifies the step by step progression of the analysis of the code documents commencing at ‘Conduct on Behalf of the Company’]