Methods to improve the effective implementation of organisational codes of conduct

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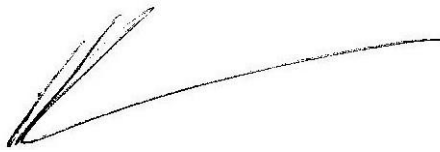| Student name	Student number
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DECLARATION

I, Bryan Michael Kenneth Robinson, hereby declare that:

This DBA thesis is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification at another University or for another qualification.

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ABSTRACT

This research explores methods to improve code of conduct effectiveness. Misconduct is a common phenomenon in the business environment, even in the face of increased regulation, and the adoption of codes of conduct by organisations. This impacts negatively on organisations' reputations, results in financial loss, and has a negative impact on the sustainability of businesses. While researchers suggest that codes of conduct should reduce misconduct and improve the ethical culture of organisations, mixed research results suggest codes of conduct are not always effective.

While research into code of conduct effectiveness proliferates, seldom does such research take a holistic approach to understanding effectiveness of codes of conduct. Models proposed to better research code of conduct effectiveness, such as Kaptein and Schwartz' (2008) integrated research model, do not present guidelines for better developing and implementing codes of conduct.

Therefore the primary research objective was to develop a benchmarking framework which could provide insight into factors that could influence code of conduct effectiveness, and provide guidelines on how these factors should be influenced and accounted for to improve code of conduct effectiveness.

Content of codes of conduct can play an important part in code of conduct effectiveness, yet they vary enormously in terms of provisions, language, tone, style, design. Some are directional or rules based, others aspirational, or values based. Bettcher, Deshpandé, Margolis and Paine (2005) developed the Global Business Standards Codex that depicted the most commonly found provisions in organisations they surveyed.

A secondary research objective was therefore to apply this codex to the evaluation of participating organisations codes of conduct, and in so doing, evaluate the suitability of the codex as a benchmarking framework for the content of the code of conduct.

Adopting a grounded theory methodological approach and code of conduct content analysis, the researcher investigated nine of South Africa's largest multinational organisations in order to understand the factors influencing their code of conduct effectiveness better.

The research makes a significant contribution to the understanding of codes of conduct, their effectiveness, and provides practical guidelines on improving their effectiveness. This is achieved by 1) presenting nine formulae for an effective code of conduct; 2) detailing a multi-dimensional model that can facilitate the effectiveness of codes of conduct; and 3) improving

the codex developed by Bettcher et al. (2005) on the content of codes of conduct with the proposed code of conduct architecture criterion.

KEYWORDS

Code of conduct; code of ethics; business ethics; ethical culture; ethics management.

ACKNOWLEDGEMENTS

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CHAPTER 1: RESEARCH OUTLINE

1.1 Introduction

Codes of conduct have been a part of large businesses for some time, and their importance has not waned. The effectiveness of codes of conduct remains an urgent issue as unethical behaviour and corporate scandals are a continuing trend in the corporate world.

Misconduct in organisations is a global phenomenon, and can impair organisations' reputation; result in colossal fines and lawsuits; cost the organisation loss from fraud, and in some cases result in major corporate collapses such as that of Enron, WorldCom, Parmalat, and Lehman Brothers, while in South Africa, Fidentia, Regal Bank, LeisureNet, and Aveng have made headlines. Many of these companies have or had a code of conduct, yet these codes failed to avert unethical behaviour.

The damage resulting from unethical behaviour is significant and undoubtedly causes harm to a variety of stakeholders. Taking the example of behaviour resulting in corporate collapse, not only do shareholders forfeit their share equity, but employees lose their jobs, suppliers their contracts, creditors their payment, customers their after-sales service, communities their livelihood, and the economy, their revenue from taxes, while corruption hampers the ability of developing nations to improve the well-being of its citizens. Systematic unethical behaviour, within the financial services industry during the recent global economic crisis, highlights how this behaviour can have far a reaching impact on not only the organisation, but also on the local and global economy.

The reasons for misconduct are diverse and complex, and codes of conduct can be a valuable mechanism to address the problem. Kaptein and Wempe (1998) suggest codes of conduct can improve the ability of an organisation to resist unethical behaviour; Schwartz (2001) finds they can influence behaviour; and Manley (1991), Painter-Morland (2006), and Erwin (2010) confirm that they also have added benefits such as reputation enhancement, improved ethical culture, the promotion of ethical business practices, and increased morale amongst employees. Supplier codes of conduct were also found to improve workers rights within the supply chain of multinational organisations (Egels-Zandén, 2014). Nonetheless, codes of conduct have been criticised for their ineffectiveness – and both Painter-Morland (2006) and Sethi (2003) suggest that this is a result of development and implementation practices – while Kaptein and Schwartz (2008) found that research into the effectiveness of codes of conduct had divergent results with a high percentage being regarded as ineffective.

The fact that misconduct is prevalent, and codes of conduct often deemed to be ineffective, suggested that further research is necessary on codes of conduct and their effectiveness. As Bazerman and Tenbrunsel (2011) contended, even with the increase in regulatory intervention and the adoption of codes of conduct, misconduct is still on the rise. Even with the plethora of research on codes of conduct, codes still fail on numerous occasions to prevent unethical behaviour.

In this research, I (the researcher) research factors that can provide a better understanding of the contributors to code of conduct effectiveness. The grounded theory methodology utilised generated fresh insights in understanding code of conduct effectiveness by 1) presenting nine formulae for an effective code of conduct; 2) detailing a multi-dimensional model that can facilitate the effectiveness of codes of conduct; and 3) improving the codex developed by Bettcher, Deshpandé, Margolis and Paine (2005) on the content of codes of conduct with the proposed code of conduct architecture criterion.

Current theories on codes of conduct effectiveness tend to compartmentalise aspects of code of conduct effectiveness and fail to provide a practical integrated approach that can be utilised by organisations and ethics practitioners to better develop and implement codes of conduct. The formulae for an effective code of conduct make a significant contribution to the understanding of code of conduct effectiveness by detailing the factors, principles, and activities required for a code of conduct to be effective. It is presented in a tabular format detailing amplifiers (organisational interventions to enhance effectiveness) that facilitate expected consequences of effectiveness (outcomes). It is a practical framework that can be used to evaluate code of conduct content and implementation by organisations and be used to benchmark the development or revision and implementation of new codes of conduct.

In addition, the multi-dimensional model for an effective code of conduct is proposed, which integrates the amplifiers of effectiveness; the formulae for effectiveness; and the consequences of effectiveness. The only model similar to this is the integrated research model for the effectiveness of business codes developed by Kaptein and Schwartz (2008), which was developed to provide a standardised research framework with which to research existing codes of conduct in order to determine their effectiveness. While valuable as a point of reference, the integrated research model differs significantly in its purpose to the multi-dimensional model for an effective code of conduct, as developed in this thesis.

The content and structure of codes of conduct are varied as detailed by Bettcher et al. (2005) and Kaptein (2004), yet decisions on their content are important to ensure that not only do codes provide guidelines for behaviour, but as Stevens (1996) suggests, that they

motivate individuals to act ethically, and that they are accessible, easy to understand, and easy to recall. Bettcher et al. (2005) developed the Global Business Standards Codex as a reference guide to code of conduct content. The codex has however not yet been empirically tested. While the codex is a valuable benchmarking framework, it does not incorporate certain content principles that contribute to effectiveness. In this research, the researcher analysed participant organisations' code of conduct content against the codex, and identified additional factors that were not present in the codex. These factors were encapsulated in the code of conduct architecture developed by the researcher. The code of conduct architecture enhances the codex in code of conduct benchmarking and can also be a valuable framework in code of conduct development and revision as a guideline to both content and tone of the code of conduct.

In order to research code of conduct effectiveness, a problem statement and guiding questions were proposed, and are detailed below.

1.2 Statement of the problem and research questions

The researcher posed nine research questions to determine how codes of conduct could be more effective. The research questions are indicated in Figure 1 below.

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┌─────────────────────────────────────┐
│  Statement of the problem            │
│  and guiding questions               │
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Question 1:
How can the code of conduct be aligned with **strategic objectives** to improve effectiveness?

Question 2:
How can the **development and revision** of the code of conduct enhance the effectiveness of the code of conduct?

Problem Statement:
How can a code of conduct be more effective?

Question 3:
How can the **content** of the code of conduct enhance the effectiveness of the code of conduct?

Question 4:
What **formal method**s of code of conduct implementation enhance a code of conduct's effectiveness?

Implementation strategy

Question 5:
What **informal methods** of code of conduct implementation enhance a code of conduct's effectiveness?

Question 6:
What impact do **individuals' characteristics** have on the effectiveness of a code of conduct?

Question 7:
What impact do **organisational dynamic**s have on the effectiveness of a code of conduct?

Question 8:
What impact do **industry dynamic**s have on the effectiveness of a code of conduct?

Question 9:
What impact do **political, economic, social, technological, legal and environmental** factors have on the effectiveness of a code of conduct?

Figure 1: Problem statement and guiding questions

The problem statement was worded as a question, namely, how can a code of conduct be more effective? Intuitively, a number of guiding questions were formulated, which dealt with possible factors that needed to be addressed to understand how codes of conduct could be

better developed and implemented in order to be more effective. For instance, determining the influence of content on effectiveness; determining the influence of leadership and organisational culture (internal factors) on effectiveness; and determining the influence of industry and national context (external factors) on effectiveness are aspects to consider.

The literature review added support to the selection of guiding questions, as well as highlighting shortcomings. One of which was the alignment of the code of conduct to strategic objectives – this was not an initial guiding question, but was added after the literature review.

The research used these guiding questions as a frame of reference for the literature review and the development of the interview schedule. These questions highlight factors that could have an impact on code of conduct effectiveness. What the research intended establishing are methods (amplifiers) to influence these factors in order to improve effectiveness (consequences of effectiveness).

To provide context and clarity to the research, however, it is first necessary to define the basic concepts relating to codes of conduct.

1.3 Definitions

Ethics, business ethics, codes of conduct, and effectiveness of codes of conduct are concepts that can be widely interpreted. These definitions provide some clarity on how they are interpreted in this thesis.

Carroll and Buchholtz (2006: 173) define ethics as "the discipline that deals with what is good and bad and with moral duty and obligation. Ethics can also be regarded as a set of moral principles or values". Rossouw and Van Vuuren (2010: 4 – 5) also define ethics in terms of what is good and state that "ethical behaviour results when one does not merely consider what is good for oneself, but also considers what is good for others".

Based on these concepts of ethics, the researcher defines business ethics as the organisation doing what is positive for itself as well as doing what is beneficial for the stakeholders of the organisation, similar to Rossouw and Van Vuuren's (2010: 5) definition that business ethics "is about a conception of what is good (values and standards) that guide the business (self) in its interaction with others (stakeholders)" and Carroll and Buchholtz' (2006: 174) definition, where business ethics "is concerned with good and bad or right and wrong behaviour and practices that take place within a business context".

Ethical responsibilities in business, according to Carroll and Buchholtz (2006: 37), "embody the full scope of norms, standards, and expectations that reflect what consumers, employees, shareholders, and the community regard as fair, just, and in keeping with the respect for or protection of stakeholders' moral rights". The stakeholders' moral rights are the rights that arise out of the relationship stakeholders have with the organisation, which results in the organisation having certain responsibilities towards their stakeholders.

Carroll and Buchholtz (2006: 242) describe codes of conduct as "a tool to detail and communicate standards of behaviour". Other terms used to define a code of conduct are "business principles, code of ethics, code of integrity, code of practice, credo, declaration, deontological code, philosophy, policy principles, (and) standards" (KPMG Business Codes of the Global 200, 2008: 6). For the purpose of this research, the researcher will not distinguish between the term "code of conduct" and a "code of ethics", although in the literature a distinction is sometimes made between the two. The researcher acknowledges that a code of conduct is sometimes regarded as more directional in stipulating rules to be adhered to, while a code of ethics tends to be regarded as more aspirational in setting the standards of ethical behaviour and allowing more discretion in decision-making (Rossouw and Van Vuuren, 2010: 241 – 242).

Kaptein and Schwartz (2007: 118) suggest that measuring the effectiveness of a code of conduct requires evaluating whether expectations of stakeholders and objectives of the organisation are met, while Sethi (2003: 64) suggests that to be effective "a code of conduct must be acceptable to all the relevant stakeholders and must fit within the competitive realities of the marketplace". A code of conduct is effective, according to the researcher, when the code of conduct advances the strategic objectives of the organisation and furthers stakeholder expectations. Signs of effectiveness could include the manifestation of an ethical organisational culture, employees making ethical decisions, and the willingness of employees to report misconduct. Kaptein and Schwartz' (2007) also suggest that effectiveness is influenced by aspects such as the existence of external codes, personal characteristics of employees, and the organisational structure and culture.

Ethical culture is defined as the all-encompassing values, rules, tone, history, and reputation of the organisation that promotes and supports ethical behaviour. Rossouw and Van Vuuren (2010: 127) suggest that an ethical culture results in ethics being "recognised as part of business as usual and is entrenched in corporate discourse and decision making". One of the consequences of an effective code of conduct is the enhancement of the ethical culture

of the organisation, while it is also acknowledged that in order for a code of conduct to be effective, there is a pre-requisite of an existing ethical culture within an organisation.

1.4 Theoretical context

The effectiveness of codes of conduct has been extensively researched and commented upon. For instance, the important role codes of conduct play in corporate governance and business ethics; the reasons for their use and their limitations in combating misconduct; their structure and content; and analysis of factors that could influence their effectiveness, are topics that have received attention in past research and are discussed further below. This historical research provides a theoretical foundation for the current research as well as providing valuable insight into gaps and potential research opportunities.

To understand the purpose and functioning of codes of conduct, they must be understood against the background of 'corporate governance' generally. Corporate governance reflects the accountability (Solomon, 2007) and trust relationship (Rossouw, 2009) an organisation has towards internal and external stakeholders of the organisation. Within the set of arrangements and initiatives that allows for good corporate governance, one also finds codes of conduct. For instance, Thyil and Young's (2008) proposed model of Australian corporate governance included codes of conduct. The role of codes within the context of governance is also supported by the governance frameworks of many companies such as Daimler (Daimler Corporate Governance Structure, 2009) and Petrobras (2008).

Historically, there are two reasons why codes of conduct have been introduced into corporate governance frameworks. First codes were introduced in reaction to public pressure resulting from corporate scandals and statutory intervention such as the Sarbanes-Oxley Act of 2002 in the United States of America, the Cadbury Report in the United Kingdom and the King Reports on Corporate Governance and the Companies Amendment Act 3 of 2011 in South Africa (Barkemeyer, Figge, Holt and Napolitano, 2010). Second, codes have been increasingly viewed as contributors to a better ethical environment within the organisation (Dubbink and Van Liedekerke, 2008).

In order to facilitate an improved ethical environment, codes of conduct need to be recognised as a means for preventing misconduct. Contributing factors to misconduct include organisational characteristics; corrupt leadership; corrupt corporate cultures; job stress; bureaucracy; financial incentives and reward systems; inadequate control systems; and corrupt relationships between peers and between managers and subordinates (Davis, McMahan and Payne, 2007). Lawrence and Shadnam (2011) similarly suggest that moral

collapse within organisations can be attributable to the benefits of misconduct outweighing the cost; lack of social constraints to inhibit unethical behaviour; a poor ethical culture; and various problematic networks; and that people can simply make mistakes resulting in misconduct. The value of codes of conduct in combating misconduct and moral collapse was demonstrated, amongst others, by Kaptein and Wempe (1998) who suggest codes of conduct increase the ability of the organisation to avert unethical behaviour.

There is no easy prescription for an effective code of conduct. This is reflected in the smorgasbord of types of codes of conduct in existence. Codes of conduct can take numerous forms and contain a variety of information and prescriptions for behaviour. Preuss (2010) distinguishes between sub-organisational codes of conduct and supra-organisational codes of conduct. Sub-organisational codes refer to the organisation's code of conduct, various policies and guidelines, and secondary codes of conduct (such as supplier codes of conduct), while supra-organisational codes of conduct refer to professional, industry specific, and global codes of conduct – all of which impact on the organisational code of conduct.

The content of codes of conduct was researched and detailed in a number of research documents (Bettcher et al., 2005; KPMG Business Codes of the Global 200, 2008; Kaptein, 2004; Madden and O'Dwyer, 2006; and Kolk and Van Tulder, 2002) and reflected the wide array of content found in codes of conduct suggesting that codes of conduct are unique to the organisation, its members, its stakeholders, its industry and its external environment – factors that should be taken into account when developing and implementing codes of conduct. Bettcher et al. (2005) provide possibly the most useful benchmarking framework for analysing participant codes of conduct, and in analysing these codes of conduct; their Global Business Standards Codex will also be tested.

Critique against codes of conduct and their effectiveness has revolved around inappropriate content; poor implementation; the continued increase in misconduct; and their inability to prevent large scale corporate collapses (De Bos and Lückerath-Rovers, 2011; Bazerman and Tenbrunsel, 2011). Rossouw and Van Vuuren (2010), Sethi, (2003), Cludts, Fisscher, Laan and Nijhof (2003), Bauer (2009), and Painter-Morland (2010) describe some of the limitations of codes of conduct as their inappropriate use as 'window-dressing'; first world bias of multinational organisational codes of conduct; lack of oversight of code of conduct compliance; and poor formulation and implementation of codes of conduct. Schwartz (2001) provides some reasons for non-compliance by employees towards code of conduct provisions, such as self-interest and greed; financial distress; dissatisfaction towards the

organisation; peer pressure; pressure on the employee to reach objectives; and ignorance of the code of conduct provisions.

Attempts to better understand why some codes of conduct are perceived to be effective and others not, is complex. Perhaps the most significant attempt to address the varied and conflicting results of research into codes of conduct effectiveness was a study conducted by Kaptein and Schwartz (2008: 118). They proposed a research model for the effectiveness of a code of conduct and suggest that effectiveness is dependent on corporate objectives; the development process; content of the code of conduct; the implementation of the code of conduct – the code of conduct's effectiveness would in turn be influenced by corporate characteristics and the external environment.

However, the findings by Kaptein and Schwartz (2008) motivate further research into improving code of conduct effectiveness, as their meta-analysis of research on codes of conduct confirmed that there is substantial discrepancy in research findings on code of conduct effectiveness. In addition the purpose of their model is to provide a standardised framework for future research into actual codes of conduct effectiveness, rather than a model that can guide the development and implementation of codes of conduct to optimise effectiveness.

In order to understand how effectiveness could be improved, a number of intuitive factors need to be accounted for in the development and implementation of a code of conduct – as reflected in the guiding questions. For instance, alignment of the code to strategic objectives is supported by Rossouw and Van Vuuren (2010), who suggest that institutionalising ethics is required on a strategic, systems and operational level. Kaptein and Wempe (1998) submit that in order for a code of conduct to be effective, it needs to be carefully developed or revised to ensure that the content is suitable, relevant, and engenders support and understanding by those who are expected to uphold its provisions.

The influence of the organisation context itself, such as its size, age, and hierarchical structure, on the effectiveness of codes of conduct is reflected in the ethical work context in which decisions are made. The uniqueness of industries could influence codes of conduct in the range of ethical challenges faced by the organisation; the decision on content of codes of conduct; and the implementation of codes of conduct. A number of facets of the external environment also have an impact on the effectiveness of code of conduct – one of which is the influence of the regulatory environment on code of conduct adoption and implementation, and where legal compliance can have a direct bearing on code of conduct provisions and the necessity to report violations of the code of conduct.

The literature provides support for the opinion that codes of conduct are an integral part of corporate governance and that they can inhibit unethical behaviour. However, their effectiveness in this regard is questioned. Models, such as the integrated research model of Kaptein and Schwartz (2008: 118), while valuable, sometimes lack relevance to the development and implementation of the code of conduct, or do not provide clear guidelines on improving the effectiveness of codes of conduct. While factors influencing ethical behaviour and codes of conduct effectiveness are described in the literature in some detail, they are complex issues. There is an opportunity, through research, to integrate these factors, and provide guidelines and a clearer model, which could facilitate improved development and implementation of codes of conduct, thus improving their effectiveness.

1.5 Research design and methodology

The research intended to provide new insights into code of conduct effectiveness – notably through proposing new models or frameworks that can better guide organisations and ethics practitioners in developing and implementing codes of conduct. In order to study code of conduct effectiveness, one has the option of a quantitative or qualitative approach, or a combination of the two.

The intention of qualitative research is to describe and explain, interpret, and to build theory. Quantitative research is useful for explaining and predicting, validating, and to test theory. Initially, a combination of quantitative and qualitative methodology was considered, specifically the two-phase mixed model approach (Lee, 1999). This would have had the benefit of developing theory (qualitative), while also validating the theory (quantitative). The quantitative methodology considered by the researcher was that of structural equation modelling (SEM) – a statistical tool that measures the causal relationships between factors.

It would have been useful in determining the causal relationship between factors of effectiveness proposed by the researcher and consequences of effectiveness. An example may be how the influence of the level of training on the code of conduct contributes to employees' understanding of the code of conduct. However, survey research in organisations is difficult due to survey fatigue and resistance by management. Given the limitations and challenges of quantitative research, qualitative research is a practical and fruitful alternative.

A grounded theory methodology was selected as the most suitable research methodology in its ability to gather and codify data in order to provide new insights and theoretical models – and as such, it has the propensity to provide new constructs regarding code of conduct

effectiveness. In-depth interviews and content analysis of codes of conduct were employed as data collection tools in order to generate grounded theory. Semi-structured interviews were selected that allow for the collection of 'rich data' – data relevant to the research. The process of coding this data and a process of memo writing allows for the development of themes within the data, and ultimately, new insights and theory. This approach also differs significantly from the approach used to develop the integrated research model for the effectiveness of business codes (Kaptein and Schwartz, 2007) that used a meta-analysis approach – namely analysing a range of research findings on codes of conduct effectiveness – and as such can provide further insights on code of conduct effectiveness.

Content analysis was utilised in the analysis of participants' codes of conduct, making use of the benchmarking framework developed by Bettcher et al. (2005: 125 – 131). This approach not only tested the Global Business Standards Codex developed by Bettcher et al., but also had the advantage of providing new insights into the content of codes of conduct and their contribution to code of conduct effectiveness.

To contextualise, from an epistemological and ontological viewpoint, the radical structuralist paradigm postulated by Burrell and Morgan (Ardalan, 2009) best reflects the approach the research took. The radical structuralist view refers to an objective approach to the research in a holistic manner. For example, the grounded theory approach of codifying the data enables the researcher to be relatively more objective in analysing the interviews, although it allows for some level of interpretation during the theoretical development process. A more interactive stance is taken with regards the studied phenomena and tends to apply "induction, multivariate and multi-process interactions" (Lee, 1999: 6) that are reflected in the interpretation of the codified data, the presentation of the various amplifiers, and application of these amplifiers to develop theory.

1.6 Demarcation of the research

Certain assumptions were made when conducting the research and there are certain limitations that influenced the research and its results. These are detailed as follows:

1.6.1 Assumptions of the research

It was assumed that participants in the qualitative interviews had the requisite knowledge of their organisational codes of conduct in order to provide accurate insights on their codes of conduct. It was also assumed that participants were honest in their responses to the researcher's questions. This assumption may be justified in view of the fact that their

positions in their organisations were verified; they confirmed their knowledge of their organisational code of conduct; and they were provided with the assurance of confidentiality to encourage honest answers.

From an organisational perspective, it was assumed that the participant organisations promoted an ethical culture and that their codes of conduct and ethics management practices were not misrepresentative of their actual ethical stance. In all likelihood this assumption was met as the participating organisations were well established in the corporate environment and were perceived to be committed to promoting an ethical culture.

1.6.2 Limitations of the research

The research could be biased due to the researcher's preconceptions of ethics; morals; business ethics; ethical culture; and factors of effectiveness. For example, the researcher may have a bias in favour of an aspirational code of conduct, although the question "why did your organisation opt for a directional (rules based) code of conduct rather than an aspirational (values based) code of conduct (or vice versa)?" would mitigate this bias, in allowing the respondents to provide their own opinion on the choice of their code of conduct – bias was addressed by asking such objective and open ended questions, and the interview data was analysed exclusively on their content.

Due to the sensitive nature of business ethics, during the interview participants may not have made certain information available. The organisation or participant may also have censored documentation. As the research did not investigate the level of unethical behaviour within the participant organisations and did not ask questions that could be regarded as controversial; it is unlikely that any information was withheld that could be to the detriment of the research.

The participants were either the chief ethics officer or a similar designation responsible for governing ethics. Results were therefore limited in that they did not provide feedback from those members of the organisation expected to apply the code of conduct. The participants also have a vested interest in believing and demonstrating that ethics management within their organisations is effective, which could bias their responses to this end.

The research took place in South Africa utilising South African based organisations listed on the Johannesburg Stock Exchange (JSE). It also only consisted of nine organisations that were not randomly selected, but rather selected on their willingness to participate in the research. The research results would therefore not necessarily be applicable to a larger

population, although the research results do provide a valuable insight into codes of conduct in corporate South Africa.

1.6.3 Delimitation of the research

The scope of the research was limited to organisational codes of conduct in South Africa and participant organisations were selected from the JSE FTSE Top 40 listed companies. It did not cover listed companies outside the JSE FTSE Top 40; outside South Africa; non-listed companies; small and medium sized companies; and other types of organisations.

Research participants did not specifically include social and ethics committees and their members – and the researcher acknowledges that their inclusion could have provided further insight into the alignment of codes of conduct with strategic objectives. Nor did it include other employees and stakeholders that could have provided further insights into codes of conduct effectiveness.

The research objectives were to study codes of conduct effectiveness, and did not specifically address ethics management structures and strategies. These were discussed in terms of having an influence on code of conduct development and implementation – the relationship between the effectiveness of codes of conduct and broader ethics management could have been researched in more detail.

1.7 Thesis progression

Chapter 2 explores the origin and function of codes of conduct. It begins with an analysis of agency and stakeholder management theory and reflects on the role codes of conduct play in corporate governance. The rise of business ethics as a result of corporate scandals, public opinion and increased regulatory vigour is detailed with a reflection on the improved perception of ethics and codes of conduct by business leaders and organisations. Due to the fact that the participant organisations were all multinational organisations with a significant South African identity, codes of conduct within the context of the global arena, and the unique characteristics of South African history, culture, economy, diversity and regulatory environment were detailed.

Codes of conduct themselves are the topic of discussion in Chapter 3. Previous studies on the types and reasons for misconduct, and the role that codes of conduct can play in preventing misconduct, are evaluated. The types of codes of conduct, both internal to the organisation, and external codes that influence the organisational codes of conduct are detailed. The differences between aspirational (values based) and directional (rules based)

codes of conduct are discussed with relevance to the suitability of codes to the organisation's context. This is followed by an overview of the type of content that could be incorporated into a code of conduct.

Codes of conduct are not always successful in combating unethical behaviour and ensuring an ethical organisation. The reasons for this are discussed such as the barriers to an ethical corporate culture; lack of leadership support; the limitations of codes of conduct themselves; flawed code of conduct implementation; and self-interest of individuals. Codes of conduct of multinational organisations are specifically addressed with reference to the difficulty of ensuring supply chain compliance with the organisation's standards and the challenges of ensuring the code of conduct is suitable across national and cultural barriers. Issues raised are debated and arguments presented for the support of codes of conduct.

There are various costs of unethical behaviour and benefits of ethical behaviour, and recent research is cited that demonstrates the continued and perhaps increasing prevalence of unethical behaviour to motivate the need for further research into codes of conduct. The relationship between codes of conduct and their effectiveness is discussed, highlighting the fact that past research has demonstrated mixed results with regard to their effectiveness – a further justification for the researcher to conduct this research.

Chapter 4 delves into the nine guiding questions and provides a theoretical structure for understanding the importance of the alignment of codes with strategic objectives; ensuring a structured revision and development process; including suitable content; implementing the code of conduct through various formal and informal implementation mechanisms; taking into account individual decision-making capabilities; ensuring organisational and industry context; and taking into account the political, economic, social, technological, legal and environmental conditions in furthering the effectiveness of codes of conduct.

The three primary research objectives are considered in Chapter 5. The research methodology is explained and the grounded theory methodological approach is explained in Chapter 6.

Chapter 7 elucidates how the data was collected through structured interviews and code of conduct analysis and highlights certain valuable insights obtained from the data. Through the application of grounded theory methodology, specifically coding and classification of the interview results, the formulae for an effective code of conduct are proposed in Chapter 8. This is followed by the proposed multi-dimensional model for an effective code of conduct. The chapter concludes with a discussion of the contribution this research makes towards

understanding and furthering effective codes of conduct, the limitations and delimitations of the research, and provides insights into possible future research opportunities arising from this research.

1.8 Conclusion

This chapter has introduced the research topic, underscored its importance and contribution to the understanding of codes of conduct and their effectiveness, reflected on literature demonstrating the need for further research on this topic. Definitions of key concepts were developed, as well as the assumptions and limitations detailed.

The problem statement and nine guiding research questions were presented; the research methodology explained; and the thesis progression elucidated.

The researcher will embark on Chapter 2, providing enlightenment on the role of codes of conduct in corporate governance and business ethics, while providing contextual understanding of multinational codes of conduct and the South African environment.

CHAPTER 2: THE CONTEXT OF CODES OF CONDUCT

The objectives of Chapter 2 are to provide an understanding of the role that codes of conduct play in the broader sphere of corporate governance and in the management of business ethics. The participant companies in this research are all multinational organisations and all principally based in South Africa, so Chapter 2 will also discuss the context of managing business ethics across national and cultural barriers; and how the South African context impacts codes of conduct in the country.

2.1 The role of codes of conduct in corporate governance

The analysis of corporate governance will begin with a discussion of agency theory and stakeholder management and the role codes of conduct play in mitigating the agency concerns and improving stakeholder management. This will be followed by a consideration of the role codes of conduct can play in corporate governance. The role that codes of conduct can play in preventing corporate failures as a result of ethical malfeasance will be evaluated reflecting on past failures in this regard. This will be coupled with a discussion on the value codes of conduct can add in assisting multinational organisations operating across national and cultural borders.

2.1.1 The role of codes of conduct in agency theory and stakeholder management

As mentioned in the previous chapter, codes of conduct form part of corporate governance, which in turn ensures that an organisation is directed and controlled in a way that recognises responsibilities towards various stakeholders of the organisation. This raises questions about agency and stakeholder management that are discussed below.

Jensen and Meckling (1976: 308), in their seminal research, introduced agency cost theory as a method of understanding managerial behaviour in the modern organisation, with its predominant division of ownership from the management function. They define the agency relationship as follows: "a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent". They proposed that the agency relationship exists in business, where the stockholder is the principal, and the manager the agent for the principal.

Jensen and Meckling (1976) contend that there will be a natural divergence of interests for the utility maximising principal and the agent, and this divergence leads to agency costs. They (1976: 308) define agency costs as the sum of the cost of monitoring and enforcing principal aligned behaviour; the expense of remunerating the agent to act in the principal's favour; and the loss to the principal when the agent acts contrary to maximising the principal's utility. Jensen and Meckling (1976) suggest that one of the worst implications of agency theory interpretation of managerial behaviour is the propensity for managers to neglect creative attention towards developing new profitable ventures.

In the corporate context, the principal would generally be shareholders, and the agent, the organisation's management. Supporters of agency theory assume that there is a propensity for managers to act immorally and further their own interests rather than those of their shareholders. This assumption suggests that shareholders (the principals) incentivise managers to ensure they act in accordance with shareholders' objectives.

Heath (2009) and Bhodjalian, Fogarty, Magnan and Markarian (2009) contend that executive remuneration in itself will not counter agency problems. Heath (2009) advocates a critical approach to agency theory that allows for a move towards organisations with shared values and an aligned corporate culture, rather than firms relying entirely on external incentives. This approach would be in order to counter the possibility of managers furthering their own interests instead of those of shareholders; instead it would encourage management to further shareholders' interests.

Bhodjalian et al. (2009) analysed the rise and fall of Nortel from an agency perspective, concluding that agency theory is limited in a modern complex organisational environment. Bhodjaliam et al. (2009) pose that executive remuneration does not always have positive results, and can in actual fact decrease performance, lead to risk avoidance activities by executives, and possibly encourage accounting irregularities when it comes to equity based performance incentives such as stock options. Bhodjaliam et al. (2009) further pose the notion that while corporate governance structures, such as a board of directors, are expected to monitor and counter the agency problems, this may not always occur. They cite Nortel's board as an example of an ineffective board of directors, where members of the board did not have the necessary financial expertise to analyse the financial performance of the organisation critically, and the fact that those board members had too little time available to focus on the organisation's corporate governance.

Transient ownership structure was also posed as a concern. If shareholders were focused on short term performance, it could lead to a situation where executives focus on increasing

the short term share price, at a cost to long term performance of the organisation. Accounting itself was also cited as not providing the necessary control, but afforded executive management an opportunity to inflate earnings to increase performance related remuneration.

It is clear, therefore, that incentive systems, board level monitoring and accounting controls are not sufficient in themselves to prevent misconduct or irregularities. This does not imply that agents (management) are inherently immoral. For instance Martynov (2009) pits agency theory against stewardship theory and considers what role moral development and moral motivation play. Stewardship theory suggests that many managers will act in favour of their principals, even at the expense of their own material wealth. Martynov (2009) proposes that moral development is a measurable factor that plays a role in executive decision-making which is influenced by moral motivation. The implication is that the promotion of ethics and of personal integrity can compensate for the deficiencies of other controls and would imply that the code of conduct could play a central role in this regard.

Ethics related initiatives that could address the agency problem include the following: the content of the code of conduct addressing issues of directors' remuneration, conflicts of interest, and insider trading; formal implementation methods such as leadership training and development including an ethical focus to ensure ethical development; while monitoring, control, auditing and reporting could make executive management more accountable to shareholders.

Stakeholder theory differs from agency theory in that it challenges the view that an organisation's sole responsibility is to the shareholder, but suggests that in a complex society, a wider view is required. Stakeholder theory holds that there is a fiduciary responsibility that an organisation has to a wide range of stakeholders, such as employees, suppliers, community, and of course, the shareholder – they all have a 'stake' in the business (Buchholtz and Carroll, 2006: 70).

Although the stakeholder concept has been around since Adam Smith in the 1700s, Freeman (1984: 53) more recently proposed a stakeholder approach to strategic management. The author's seminal publication, entitled '*Strategic management – a stakeholder approach'*, suggested that the modern organisational environment requires managers to review their approach to strategic management in terms of external pressures (government, competitors, consumer advocates, environmentalists, special interest groups and the media), and constrained internal flexibility (owners, customers, employees, and suppliers) of the organisation.

Freeman (1984: 53) defines stakeholders as "any group or individual who can affect, or is affected by, the achievement of a corporation's purpose". Stakeholder management is further defined as the "necessity for an organisation to manage the relationships with its specific stakeholder groups in an action-oriented way". Stakeholder management necessitates (Freeman, 1984: 53) determining who the stakeholders are; identifying the organisational processes necessary to manage these stakeholders; and understanding the transactions or negotiations between the organisation and its stakeholders to ensure their suitability.

Carroll and Buchholtz (2006) provide some insight into the types of stakeholders an organisation may have as well as an overview of stakeholder management. They (2006: 68) distinguish different types of stakeholders, such as those with an interest (who are affected by decisions made by an organisation), a right (legal and moral rights that should be respected) and ownership (legal ownership title to the organisation).

Principal stakeholders are described as government, employees, owners, consumers and the community. These stakeholders are further defined as the political environment (federal, local, state government entities as well as the community comprising the general public, environmental and civic groups), economic environment (average consumers, product liabilities, and social activists), technological (private citizens, institutional groups and board members) and the social environment (minorities, women, older employees, unions and activists) (Carroll and Buchholtz, 2006: 70). According to the authors, stakeholders can be classified in a number of ways, including core (stakeholders essential to the organisation's survival), strategic (critical stakeholders in terms of opportunities and threats) and environmental stakeholders (other stakeholders not classified as core or strategic).

Stakeholder attributes are legitimacy, power and urgency. Legitimacy refers to whether the stakeholder has a stakeholder right; power is the power the stakeholder has to influence the organisation; and urgency, the critical issues that need to be addressed by the organisation (Carroll and Buchholtz, 2006: 71).

Carroll and Buchholtz (2006: 88) recommend the following steps to achieve successful stakeholder management for businesses: Integrating stakeholder management in the organisation's philosophy; developing a values statement that is stakeholder inclusive; and implementing a stakeholder performance measurement system.

Recognising the code of conduct as a strategic document and the inclusion of stakeholder accountability into the code of conduct can strongly influence stakeholder management. This

accountability in turn could generate the required trust between the organisation and its stakeholders. Other ways in which the code of conduct could support stakeholder management include the consultative process envisaged in developing the code, which could include stakeholders to ensure the challenges and opportunities they pose are addressed in the code of conduct; the level of communication required in the implementation of the code of conduct that includes communication with stakeholders; and the necessity to contextualise the code of conduct to take into account factors the communities found in areas in which the organisation operates.

Agency theory and stakeholder management provide a foundation for the following section detailing the roles that codes of conduct play in corporate governance.

2.1.2 The role codes of conduct play in corporate governance

Corporate governance can be defined in various ways depending on the view taken. From an agency perspective, corporate governance may relate to the relationship between the organisation or executives and its shareholders. From a stakeholder perspective, corporate governance relates to the relationship between the organisation and a wide range of stakeholders with different rights, roles and power influence. The level of stakeholder management capability would influence this in turn as posed by Buchholtz and Carroll (2006) in the previous section.

Solomon (2007: 14) emphasises that within the wide range of corporate governance definitions, the key aspect is accountability, whether it be towards shareholders or the wider concept of stakeholders. Solomon (2007: 14) defines corporate governance as "the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity".

Rossouw (2009) explores the role that internal corporate governance plays in engendering personal trust towards the organisation and its leaders. The author posits that the characteristics of openness, competence, integrity and benevolence create a perception of trustworthiness. Openness revolves around the provision of information to stakeholders, where such information has some importance to them. Communicating and engaging with an organisation's stakeholders, and providing them with relevant facts, can increase trustworthiness. Competency refers to the ability of the organisation and its leaders to enhance the performance of the organisation, both in terms of financial performance and compliance with stakeholder and regulatory requirements. To achieve competence,

executive and non-executive directors need to be appointed that provide the expertise that the organisation requires. Rossouw (2009) cautions, however, that over-emphasis on conformance may make the organisation risk averse to the extent that it could negatively impact on the organisation's financial performance.

The role of codes of conduct in furthering corporate governance is not often specifically addressed in corporate governance models although such codes could be inferred in terms of organisational processes and stakeholder management requirements. Thyil and Young (2008) do address the role of codes of conduct in their model of corporate governance that will be detailed below.

Thyil and Young (2008) propose a holistic model of corporate governance that aims to integrate the organisation with country specific elements, to take a broader view of the role stakeholders play, and to utilise a multi-disciplinary approach in viewing corporate governance. They (2008: 96) list behavioural attributes that have an impact on corporate governance as "power and self-interest, gender, decision-making, learning, personality, groups, leadership, culture and values". They also explored the relationship between the organisation and stakeholder groups, and the importance of their involvement in strategic decision-making.

According to Thyil and Young's model (2008), corporate governance comprises micro level perspectives of the organisation including decision-making structures; stakeholders; corporate social responsibility (CSR); stage of development; human resource management; behavioural attributes; strategy; corporate ethics; and the legal and regulatory framework. The macro level perspectives relate to the legal and regulatory systems of the country; international corporate governance frameworks; country specific cultural and ethical frameworks; development stages of the country; social and environmental sustainability. The model does refer to a code of ethics as an element of corporate ethics on the micro, firm specific level.

A preliminary analysis by the researcher of a consulting firm, and two multinational organisations, demonstrated the role that stakeholder management and codes of conduct played in their corporate governance structures.

BMCI Consulting (BMCI, 2010) is a private consulting firm, offering guidance in developing corporate governance and accountability frameworks. Their guiding framework demonstrates a strong bias towards stakeholder theory, with stakeholder management being closely linked to the organisation's mission, vision and policies through communication, its

values and principles and a focus on continous improvement. Daimler (Daimler Corporate Governance Structure, 2009), a multinational vehicle manufacturer, has developed a corporate governance structure with a strong focus on shareholder management. It presents a two-tiered board structure, with the executive board comprising ten shareholders and ten employee representatives, while the management board oversees the operational aspects of the organisation.

Corporate governance takes place within the context of controls such as audits and the governance framework of regulatory restrictions. In terms of the framework, codes of conduct are specifically mentioned. Petrobras (2008), an energy company recognised as the largest company in South America, represented their corporate governance structure visually. The board of directors and the board of executive officers offer strategy definition and supervision, but to a lesser extent the board of executive officers is tasked with operational responsibilities. As with Daimler, there seems to be a strong focus on shareholder management, and less so on stakeholder management. The structure is tempered with internal policy, statutory limitations and a code of ethics guiding the organisation in corporate governance.

From the analysis it is clear that a code of conduct is often regarded as an integral part of multinational organisations' corporate governance efforts; that codes of conduct can facilitate stakeholder management required for good corporate governance; and that a code of conduct and its implementation can support the board of directors in ensuring good corporate governance.

The following section will explore the role codes of conduct play in the management of business ethics.

2.2 The introduction of codes of conduct in the management of business ethics

Codes of conduct are useful in facilitating ethical behaviour throughout the organisation and engendering an ethical corporate culture. However, codes of conduct and business ethics generally, only developed into a formal part of organisational management fairly recently.

The Ethics Resource Centre (2009, a) has traced its development, and although mostly reflecting on the United States experience, the Business Ethics Timeline, proposed by the Ethics Resource Centre, provides a valuable overview of the evolution of business ethics over the past five decades:

The 1960s was a period of substantial social change that included social unrest with a significant anti-war sentiment (following the Vietnam war). The heightened ethical awareness centred on environmental concerns; workplace tension; and human and civil rights. From a business ethics perspective, developments included the introduction of codes of conduct by organisations, as a result of greater awareness of ethical issues and the cost of unethical behaviour.

Corporate scandals plagued the 1970s resulting in pressure by the public for accountability by business. Ethical problems experienced included employee militancy; unfair labour practices; and a management approach of covering up ethical breaches. The Federal Corrupt Practices Act was promulgated in 1977 initiating a stricter regulatory environment for business while business ethics began moving towards a values based orientation.

The 1980s heralded a period of increased bribery and corruption, peddling, deceptive marketing, fraud, and lack of transparency. Business ethics developments in the United States included the introduction of the ombudsman to address ethical breaches by business, and the False Claims Act of 1986 was introduced addressing government contracting.

Globalisation was well established in the 1990s and the internet started impacting business. Ethical concerns included unsafe working conditions in developing nations; greater corporate liability claims; and financial mismanagement. The promulgation of the Global Sullivan Principles characterised business ethics developments (1999), the United States government introducing the Federal Sentencing Guidelines for Organisations (1991) and the rise of class action suits and corporate reporting on ethical issues. In 1994 the King Report on Corporate Governance (King I) was introduced in South Africa encouraging the use of codes of conduct.

The turbulent 2000s began with huge economic growth, ending with the global crisis. The period was characterised by major corporate collapses following corporate scandals, invasions of privacy, and major acts of terrorism. Prevalent ethical issues of this period included concerns for privacy; global corrupt practices; financial mismanagement; intellectual property theft and the impact of business on sustainable development. The following significant developments in business ethics took place: Introduction of the Sarbanes-Oxley Act of 2002 and the Federal Sentencing Guidelines for Organisations (2004) revised in the United States; the UN Convention Against Corruption (2003) was introduced; and the UN Global Compact adopted the 10th Principle against Corruption (2004). The Sarbanes-Oxley Act of 2002 heralded a period of greater statutory rigour, which included requirements for organisations to introduce mechanisms such as a code of conduct to improve ethical

standards. There was a greater focus towards evaluating ethics intervention programmes; corporate social responsibility was emphasised; while anti-corruption issues were highlighted.

The King Report on Corporate Governance (King II and King III) was revised twice in the 2000s, while the Companies Amendment Act 3 of 2011 was promulgated with its requirement that companies establish a social and ethics committee in their organisations. King III and the Companies Amendment Act 3 of 2011 will be discussed in greater detail in Chapter 4.

The evolution on business ethics influenced academic research on business ethics. Dubbink and Van Liedekerke (2008) reflect on the academic field of business ethics during the previous two decades, and maintain that the field faces critical challenges going forward. The antiquated view was that morals in business were an oxymoron, as business was all about greed, and that strong regulation was required to safeguard the general public.

The challenge to the field of business ethics was suggested as the professionalisation of business ethics and the evolution of corporate social responsibility. From the perspective of professionalisation, the field of business ethics has become very broad; possibly sacrificing its philosophical viewpoint, and Dubbink and Van Liedekerke (2008: 275) suggest that "one should continue talking about duty, virtue, justice and care". The concern that corporate social responsibility presents is the possible displacement effect it has on business ethics. Dubbink and Van Liedekerke (2008) maintain that corporate social responsibility is viewed as an external function to usual corporate functions. They maintain that this dismisses the premise of stakeholder theory where social responsibility activities are indeed a core function of an organisation's activities. Dubbink and Van Liedekerke (2008) suggest that the future of business ethics lies in application towards a wider range of commercial issues, such as environmental ethics; bioethics, technological ethics; and food ethics.

The historical references in the above analysis have demonstrated that business ethics has changed over the past five decades as a result of significant corporate failures; increased public awareness and support of ethical business practices; and greater statutory rigour. There has also been a shift in focus from the organisational and leadership perspectives towards self-regulation by ensuring ethical business practices are upheld. Statutory regulation and self-regulation can and have made use of the code of conduct as a significant tool to influence business ethics, as evidenced by statutory requirements or guidelines requiring organisations to introduce codes of conduct into their businesses, and a move by

organisations and leadership to introduce and implement codes of conduct as a means of managing business ethics.

The next section will explore codes of conduct of multinational organisations to determine their unique challenges and the attributes needed to ensure business ethics standards are maintained across national and cultural borders.

2.3 Codes of conduct of multinational organisations

The participants in this research are all multinational organisations; hence a discussion on the challenges multinational organisations face with regard to maintaining business ethics standards through their codes of conduct is pertinent.

De George (2006: 512 – 513) highlights four critical issues impacting on multinational companies, namely the unequal distribution of wealth between countries; lack of comparable legal, political and social systems regulating business activities; lack of international institutions to govern, enforce and sanction business activities on a global scale; the inability of labour to move between countries resulting in businesses establishing international operations where labour is cheaper, sometimes in an exploitative manner; and different realms of ethically permissible behaviour determined by laws and customs of the respective countries.

Multinational companies have sometimes been criticised for taking advantage of lesser developed countries to exploit resources and lower costs through unfair labour practices. The fact of the matter is that developing nations sometimes do not necessarily have the ability to restrict irresponsible multinational business activities. De George (2006) points out that some multinationals have greater annual revenue than a developing nation's gross domestic product. Furthermore, there is no control mechanism for restricting the development of cartels and uncompetitive behaviour such as price manipulation. Multinationals have been charged with the following practices (De George, 2006: 515): operating immorally in lesser developed countries by exploiting labour, natural resources, and profiteering; competing unfairly; and causing impoverishment as well as stimulating unrest in host countries.

Codes of conduct could address the abuses of multinational organisations detailed by De George (2006) in two ways – the first would be by means of global codes of conduct and agreements, and the second by organisational codes of conduct.

De George (2006) refers to the World Trade Organisation, and the World Trade Organisation Agreements concluded between nations, as one mechanism to regulate business across international barriers. De George (2006) reflects that the World Trade Organisation has been criticised for been dominated by developed nations; that the World Trade Organisation's rules of trade harm lesser developed nations; and that the organisation lacks democracy and transparency. Other codes of conduct could include self-regulatory codes within industries and professions.

From an organisational point of view, codes of conduct could be used to maintain standards of business ethics throughout the organisation's operations and ensure that these standards are upheld in the supply chain. The code of conduct would need to be internationally applicable, without compromising its core values. The development process with consultation throughout the organisation's operations could be one way to develop an internationally suitable code of conduct; another may be in the implementation process, where training on the code of conduct's provisions could be provided in a culturally sensitive manner.

With regard to the supply chain, organisations could introduce provisions in their code of conduct, or develop separate codes of conduct for their suppliers, that detail the standards required by the organisation. Again these would need to be sensitive to the cultures and realities of the supplier's country of origin, and enforced through control and monitoring processes.

These issues are discussed in more detail in Chapter 4 as factors influencing the effectiveness of codes of conduct, and in Chapters 7 and 8 when detailing the results and conclusions of this research.

The next section will explore the South African context influencing business ethics and codes of conduct.

2.4 Codes of conduct in the South African context

While the companies that participated in the research are all multinationals, they also originated in South Africa. The South African context is therefore also pertinent when evaluating the effectiveness of their codes of conduct.

South Africa has for many decades been regarded as one of the strongest economies in Africa. Racial discrimination, entrenched through apartheid laws, accentuated discrepancies between the wealthy and the poor along racial lines. Yet the nation is attempting to tackle its

various challenges of poverty alleviation, job creation, education, healthcare undermined by the prevalence of HIV and Aids, crime levels and corruption.

South Africa has not been immune to ethical breaches as regularly exposed in the media, and not from large scale corporate scandals such as Fidentia; Regal Bank; LeisureNet; more recently, Aveng; and the infamous Brett Kebble / Randgold saga. Yet South Africa has been proactive in the introduction of the King Reports on Corporate Governance (King I in 1994; King II in 2002; and King III of 2009 (Rossouw and Van Vuuren, 2010) which from King I recommended that organisations introduce corporate codes of conduct, while King III suggests that the code of conduct plays an intrinsic role in business ethics management by companies. The Companies Amendment Act 3 of 2011 (Government Gazette, 2011) has also been instrumental in requiring the establishment of social and ethics committees to promote business ethics within South African companies. The impact of the King Reports and Corporate Governance is covered in more detail in Chapter 4 of this thesis.

The KPMG Ethics Survey of 2001 (KPMG Ethics Survey, 2001) was pronounced the first South African ethics survey by the project managers conducting the research. Respondents were from the private sector, public sector and civil society. The findings of the survey are as follows: Eighty-four percent of respondents confirmed that their organisations had a written document outlining the organisation's values and principles, and in most of these organisations, it was named a code of conduct; generally a specific senior level manager was responsible for implementation, monitoring and assurance of ethics initiatives; and most had a formal policy to protect employees who reported ethical or legal violations. The level of training received by respondents on ethics varied with 58% signifying that they received no training on ethical issues. Ethical issues were mostly not included in performance assessment or risk assessments. Half of the respondents reflected that ethical behaviour was a strategic focus for their organisations.

The survey concluded that there is still some way to go, and that organisations have to improve the ethics function within organisations, and recommended organisations commit to the following range of activities (KPMG Ethics Survey, 2001: 16): They develop ethics programmes; introduce measurement of ethical performance; design ethics policies; develop ethics training programmes for all members of the organisation; introduce effective whistleblowing mechanisms; and appoint senior staff to implement ethics programmes.

While this survey (KPMG Ethics Survey, 2001) does indicate that many organisations in South Africa have adopted codes of conduct, the implementation of these codes of conduct is somewhat lacking. The KPMG survey (KPMG Ethics Survey, 2001) also suggests that

further research is needed to better understand ethics in South Africa and should explore new angles and dimensions – a further motivation for the current research, which could contribute towards providing a better understanding of the role of codes of conduct play in South Africa.

The South African Corporate Ethics Indicator 2009 (Ethics Institute of South Africa, 2013: 35 – 36) highlighted a low awareness by survey participants of their organisation's ethics management policies and principles, and only a moderate awareness of perceived effectiveness of ethics management policies and programmes. This could also be indicative of ineffective code of conduct implementation that requires a clear ethics management infrastructure and supportive processes as demonstrated in the research findings.

Traditional African ethics reflected in terms such as ubuntu and umuntu ngumuntu ngabantu (human kindness) and seriti (integrity) and the challenges in addressing the racially segregated past through affirmative action and broad based black economic empowerment (BBBEE) are all issues relevant to South African organisations. These will be addressed in more detail in terms of the political and social environment impacting on codes of conduct (Chapter 4) and the necessity to take cognisance of these factors in developing and implementing codes of conduct.

The South African context is relevant to this research in terms of the legislative, social, economic, and cultural environment that codes of conduct need to address; and that prior research on codes of conduct such as the KPMG Ethics Survey of 2001 (KPMG Ethics Survey, 2001) and the South African Corporate Ethics Indicator 2009 (Ethics Institute of South Africa, 2013) indicate that codes of conduct may be lacking in terms of their effective implementation.

2.5 Conclusion

Chapter 2 has provided an understanding of the context of codes of conduct. The concept of agency and the challenges that the agency issue poses were reviewed, with comment on the influence codes of conduct could have in addressing the agency problem. Stakeholder management was highlighted in view of the impact it has on the code of conduct. Corporate governance was introduced with the proposition that codes of conduct could contribute towards good corporate governance.

A historical overview was provided on the rise of business ethics; the influences that corporate scandals have had on public opinion and statutory intervention; the introduction of

regulatory requirements such as the Sarbanes-Oxley Act of 2002 and the King Reports on Corporate Governance; and the trend towards an increased awareness of the value of self-regulation through codes of conduct.

The global context of multinational organisations was deliberated upon, and it was suggested that codes of conduct could play a crucial role in ensuring business ethics standards of organisations are implemented throughout the organisation – crossing national and cultural borders. They could also be utilised to ensure the organisation's ethical standards for supply chain members are maintained.

An overview of the South African business environment was explained, past research into ethical issues evaluated, concluding that while King III and the Companies Amendment Act 3 of 2011 provided South African companies with well-considered guidelines and requirements, this was not necessarily translated into effective ethics management and code of conduct implementation.

Chapter 3 will introduce the role of codes of conduct; discuss the types, structure, and content of codes of conduct; provide a critique of codes of conduct; and motivate the need for further research into codes of conduct.

CHAPTER 3: CODES OF CONDUCT

Chapter 2 provided an introduction to the role that codes of conduct play in dealing with the issue of agency in organisations, their importance in stakeholder management, and how they facilitate corporate governance.

Chapter 3 explores issues surrounding misconduct and the necessity of codes of conduct to mitigate the risks associated with misconduct. The typology of organisational codes of conduct will be introduced while also reflecting on the external codes of conduct that impact on the organisation.

Codes of conduct have often been criticised as being ineffective. These arguments will be discussed; the necessity for codes of conduct motivated, and further research into code of conduct effectiveness justified.

3.1 The role of codes of conduct in mitigating misconduct

Unethical behaviour is a reality in the global economy, and is commonly cited as the rationale behind introducing codes of conduct. Organisational misconduct can take many forms and be the result of many factors. This section explores the types of misconduct and the possible explanations for misconduct.

Davis et al. (2007) summarised research efforts into identifying factors of unethical behaviour, and found the following influencing factors to be prevalent: General organisational characteristics; poor or corrupt leadership; job stress; organisational decline; level of bureaucracy within the organisation; financial incentive structures and reward systems; inadequate control structures; social and inter-organisational relationships; and corrupt corporate cultures.

Similarly, Lawrence and Shadnam (2011: 382-383), discuss how previous research has revealed the following reasons for moral collapse within organisations. Moral collapse can occur if the benefits of misconduct outweigh the costs of such behaviour; there is a lack of access to social constraints that would inhibit misconduct; the ethical culture of the organisation promotes or condemns unethical behaviour; various networks and interrelated factors increase the propensity to act unethically as is discussed in their theory proposed below; and errors can occur naturally and misconduct be viewed as a mistake.

Lawrence and Shadnam (2011: 388-390) introduced an Institutional Theory of Moral Collapse that explores the interrelatedness (which they term 'nesting') of individuals,

organisations and the moral communities in which they operate. They suggest a two-way flow: a flow-down of ideology ('system of beliefs') and regulation ('mechanisms of social control') from moral communities to organisations to individuals; and a flow-upward of moral ideas ('right and wrong') and influence (ability to influence moral ideas) from individuals to organisations to the moral community.

Moral collapse is asserted to be the result of the interruption of these flows between individuals and organisations and / or moral communities as well as between moral communities and organisations and / or individuals. This would occur when there is a break in the flow of ideology and regulations.

The breakdown in the flow of ideology could firstly lie in the characteristics of the moral communities where there may be an absence of leadership in championing the ideology. Secondly, a high turnover of participants in the moral community could have a negative influence on the commitment or strength of the ideology. Lastly, the characteristics of the organisation play a role as well, and organisations that monopolise, or delegitimise moral institutions, could compromise the ideological flow.

The role of regulation also plays a significant role. Lawrence and Shadnam (2011) suggest that moral collapse is affected by the potentially negative impact of misconduct on the organisation and the individual. The ability of the organisation and / or moral community to influence employees due to employment conditions, and the constraints that may disallow surveillance, could likewise reduce effective regulation.

Based on the above, it could be suggested that codes of conduct can influence the factors of misconduct and possibly prevent moral collapse in the following ways: the code of conduct and its effective implementation could improve the corporate culture; advance ethical leadership; introduce operational support and control to guide ethical behaviour; ensure suitable financial incentives and reward systems are implemented; provide an ethics management structure to support organisational characteristics and address bureaucracy; reduce job stress due to better employee guidance and support; and improve social networks and relationships.

In terms of Lawrence and Shadnam's (2011) reasons for moral collapse, the researcher advances that codes of conduct and their effective implementation could possibly prevent moral collapse in the following ways: They could raise the costs associated with unethical behaviour; enhance social constraints regarding misconduct; promote an ethical organisational culture; influence the context of the organisation and members of the

organisation to act ethically; and prevent mistakes resulting from ignorance, absence of guidelines, and lack of support. Further support for the rationale and role that codes of conduct can play in reducing misconduct will be detailed.

Kaptein and Wempe (1998: 854) state that codes of conduct are suitable in improving the 'moral resistance' of the organisation. The term 'moral resistance' refers to the ability of the organisation to resist influences that could decrease the 'moral content' of the organisation. Moral content refers to the effort of the organisation to honour the responsibilities it has towards its stakeholders.

According to Rossouw and Van Vuuren (2010: 235), the increasing use of corporate codes of ethics is attributable to corporate governance reform, organisational structure, and information and communication technology.

Codes of conduct were perceived to play an important role in establishing high levels of ethical behaviour within organisations, and as a result, corporate governance reform highlighted their role in the implementation of reform. In actual fact, the Sarbanes-Oxley Act of 2002 of the United States of America made it compulsory for listed companies to have codes of ethics pertinent to the activities of senior financial officers; while the South African King Reports have recommended that companies have a code of conduct, with the Third King Report suggesting that the code of ethics be an integral facet of their ethics management programme (Rossouw and Van Vuuren, 2010: 236).

Painter-Morland (2006) states that not only are codes of conduct necessary for statutory compliance, but can have the added benefits of improved investor confidence, a better reputation amongst stakeholders, staff retention, and improved morale, and prevention of unethical business practices. She questions, however, whether organisation's boards recognise the potential benefits, and suggests that a paradigm shift in thinking is needed to remove the distinction between core business and business ethics – an acknowledgement that ethics is interwoven in all aspects of the organisation. Only when this shift has occurred, she suggests, will a code of conduct become a 'living document' – a document used in day-to-day business and which is integrated into the organisation's operational processes.

Reflecting upon the response to the wave of corporate scandals since 2001, Fombrun and Foss (2004) categorised corporate responses into the three areas of incorporating values and principles into corporate culture, appointing ethics officers, and introducing stricter codes of conduct.

In terms of hierarchical structure, Rossouw and Van Vuuren (2010) talk of the change of organisational structure from a hierarchical structure to a flatter-structure with fewer direct control mechanisms. For effective control in this type of organisation, shared values can go some way in promoting voluntary conformity. A code of ethics is suggested as a tool to communicate standards of behaviour and to encourage commitment to these shared organisational values.

A further element resulting in wider use of codes of ethics was information and communication technology. The ease and speed of communication increases organisational risk should unethical behaviour take place, the fact of which would be quickly disseminated to stakeholders. Implementation of codes of ethics by organisations is an attempt to temper occupational risk, and communication of the code of ethics, an attempt to convey the organisation's positive ethical stance.

Rossouw and Van Vuuren (2010: 239) suggest the purpose of a code of ethics to be quite varied. The objectives of the codes can be defined in terms of their internal and external focus. From an internal perspective, it prevents unethical practices by detailing behaviour that will not be acceptable; promotes ethical behaviour through the provision of suitable values and guidelines; influences the ethical culture of the organisation and ethical leadership orientation; and improves the morale of an organisation. From an external perspective, the code can engender trust by stakeholders; enhance its reputation; anticipate and respond to regulatory expectations; ensure expected behaviour is maintained in the supply chain; and comply with regulations and prevent legal action.

Manley (1991), in developing the *Handbook of Model Business Codes*, surveyed 275 companies perceived to be ethically astute, examined over 10 000 pages of codes and policies, all in order to determine best practices in terms of business codes. Although Manley's (1991) research took place in the early 1990s, there are similarities to this research project. Although Manley (1991) did not propose a specific model for codes of conduct, the research is a valuable point of comparison for this project.

Manley (1991: 4) begins by listing fourteen benefits of a code of conduct uncovered in this survey, the most pertinent of which are the following: The code of conduct provides guidelines and inculcates its values; improves its reputation; provides protection against lawsuits; improves financial performance of the organisation; enhances morale; facilitates an ethical workplace; pre-empts the introduction of new regulations; is a catalyst for change; supports strategic interests; satisfies the requirements of shareholders; encourages open

communication; helps integrate cultures; prevents pressure on members of the organisation to act unethically; and promotes market efficiency.

Bettcher et al. (2005) detail the value of a code of conduct in clarifying to external and internal stakeholders the standards it upholds. The practical value of such codes is that they can help employees from diverse geographic and cultural backgrounds work more effectively, they can facilitate decision-making, can aid in recruiting individuals who share similar ideals, and can reduce risk.

Barnett and Valentine (2002: 198) found that the existence of a code of conduct in sales related organisations resulted in the perception by employees that their work environment had a higher degree of ethical values. They suggested that these findings could be a result of a number of factors including the fact that these codes lead to actual ethical behaviour; they influence the internalisation of the values of the organisation by employees; they create a perception of ethical values; and they may be a form of impression management even if the organisation does not espouse the values of the code of conduct.

Sethi (2003: 81) takes the viewpoint that voluntary codes of conduct are a proactive response to criticisms levelled at multinational corporations and states that "codes provide the corporation with a voluntary and more flexible approach to addressing some of society's concerns". The author asserts that codes of conduct provide a mechanism for developing solutions that take into account the various stakeholders while being economically efficient. Codes of conduct have the ability to develop public trust through a reputational effect. Conversely, codes of conduct can have a positive impact from the public's perspective. These codes reduce the necessity of statutory regulation that is more cumbersome and expensive.

Hsieh (2006: 122-124) proposes that multinational corporations have a duty to 'rescue' developing nations - a philosophical concept implying that an organisation is morally required to further the interests of the developing nation in which it operates. This requirement by multinational corporations is further supported by the duty of 'justice' where individuals of developed nations are required to help individuals in developing nations. Shareholders, by virtue of the duty of 'justice' empower multinational corporations to provide aid to developing nations provided it does not compromise the sustainability of the organisation. The value of the code of conduct, according to Hsieh (2006: 125-130), is that it ensures multinational organisations fulfil shareholder expectations of the organisation towards developing nations; coordinates competitors in ensuring all firms operate according

to certain standards in developing nations; and prevents duplication of efforts to uplift and develop communities in these nations.

Rotta (2007: 33) asserts that the formulation and adoption of a code of conduct are fundamental in improving the ethical culture of organisations, and suggested the following direct benefits of such a code of conduct: greater motivation by employees to act ethically; respect for laws; protection of the organisation's reputation; and improvement of its relationship with stakeholders. From an auditing perspective, it provides a standard to measure corporate and employee behaviour. It makes it easier for auditors to practically review ethical policies and practices to improve these policies and practices. Finally Rotta (2007) suggests that internal auditors get actively involved in auditing organisational compliance with its codes of conduct and take corrective action when the codes are not upheld.

Human (1999) described ethical codes as having four key functions, namely to entrench security and stability; to deliver economic benefits; to improve intra-personal and interpersonal relationships; and finally, from a South African perspective, to foster democracy. The author views business ethics as essential, not only for business success, but also for the promotion of a free society.

The rationale for codes of conduct influencing behaviour was detailed by Schwartz (2001: 252 - 253). The author found that some respondents had modified their behaviour in accordance with the code of conduct, or consulted the code of conduct for guidance, or consulted an ethics officer in connection with code of conduct content. This not only provides a rationale for codes of conduct, but indicates how they can influence behaviour. Somers (2001) also studied the behavioural influence that organisational and professional codes of conduct have on employees. The results indicated that respondents with an organisational code of conduct performed fewer unethical activities in their organisations than employees without organisational codes of conduct.

Krings and Petersen (2009) evaluated the ability of codes of conduct to deal with discrimination in the work place, specifically in personnel selection and found that a code of conduct did have a positive impact on reducing discriminatory behaviour. However, their superiors had to support this view.

Coughlan (2005) raised the issue that a code of conduct equips employees and the organisation with ethical justifications in dealing with decision-making involving an ethical element. The fact that most codes of conduct are developed collaboratively implies that they

will reflect the values of the organisational members, and can therefore be used positively by these members in resolving ethical dilemmas.

The findings detailed above support the use of codes of conduct for the following reasons: Codes of conduct assist in establishing high levels of ethical behaviour; guiding members of the organisation in ethical decision-making; creating awareness of behaviour that will be sanctioned; enhancing the ethical culture of the organisation; improving leadership's ethical orientation; improving investor confidence; encouraging open communication; enhancing the organisation's reputation amongst stakeholders; reducing job stress; enhancing morale; ensuring compliance with statutory and legal requirements; anticipating regulation and promoting voluntary compliance; ensuring supply chain adherence to expected standards; mitigating reputational risk; mitigating financial risk as a result of lawsuits; ensuring its responsibility towards society at large is fulfilled; contributing to financial performance and sustainability; assisting in organisational change – all of which are contributing factors to mitigating misconduct and preventing moral collapse.

The next section will explore the categorisation and classification of organisational codes of conduct.

3.2 A typology of codes of conduct

The section seeks to describe the variety of codes of conduct and the possible structure and content of codes of conduct.

3.2.1 Types of codes of conduct

In a study of the FTSE 100 companies, Preuss (2010) evaluated the smorgasbord of organisational documents that contributed towards an organisation's code of conduct, and served as a suitable introduction to the wide range of organisational codes of conduct and external codes of conduct impacting on the organisation.

Preuss (2010) distinguished between documented codes of conduct or ethics, sub-organisational codes such as the organisation's whistleblowing or environmental policy, and supra-organisational codes such as global compacts, which provide the context of the codes.

The research determined the following range of types of documented codes of conduct and sub-organisational codes (Preuss, 2010: 475): Company-wide codes of conduct; separate codes of conduct such as suppliers' and directors' codes of conduct; policies relating to

environmental and sustainability issues; corporate social responsibility policies; supply chain management policies; as well as a plethora of other policies.

Supra-organisational codes were listed as global generic codes; intergovernmental organisations' codes; non-governmental organisations' codes; regional codes; industry associations' codes; and national codes.

The variety of codes are graphically represented in Figure 2 below, with the horizontal axis ranging from specific stipulations to general stipulations (which could be regarded as the possible range between aspirational and directional codes of conduct), and the vertical range of the documented code of conduct, the supra-organisational codes and sub-organisational code. Preuss defines the prevalence of all these codes as a 'lattice-work' of organisational codes (2010: 478).
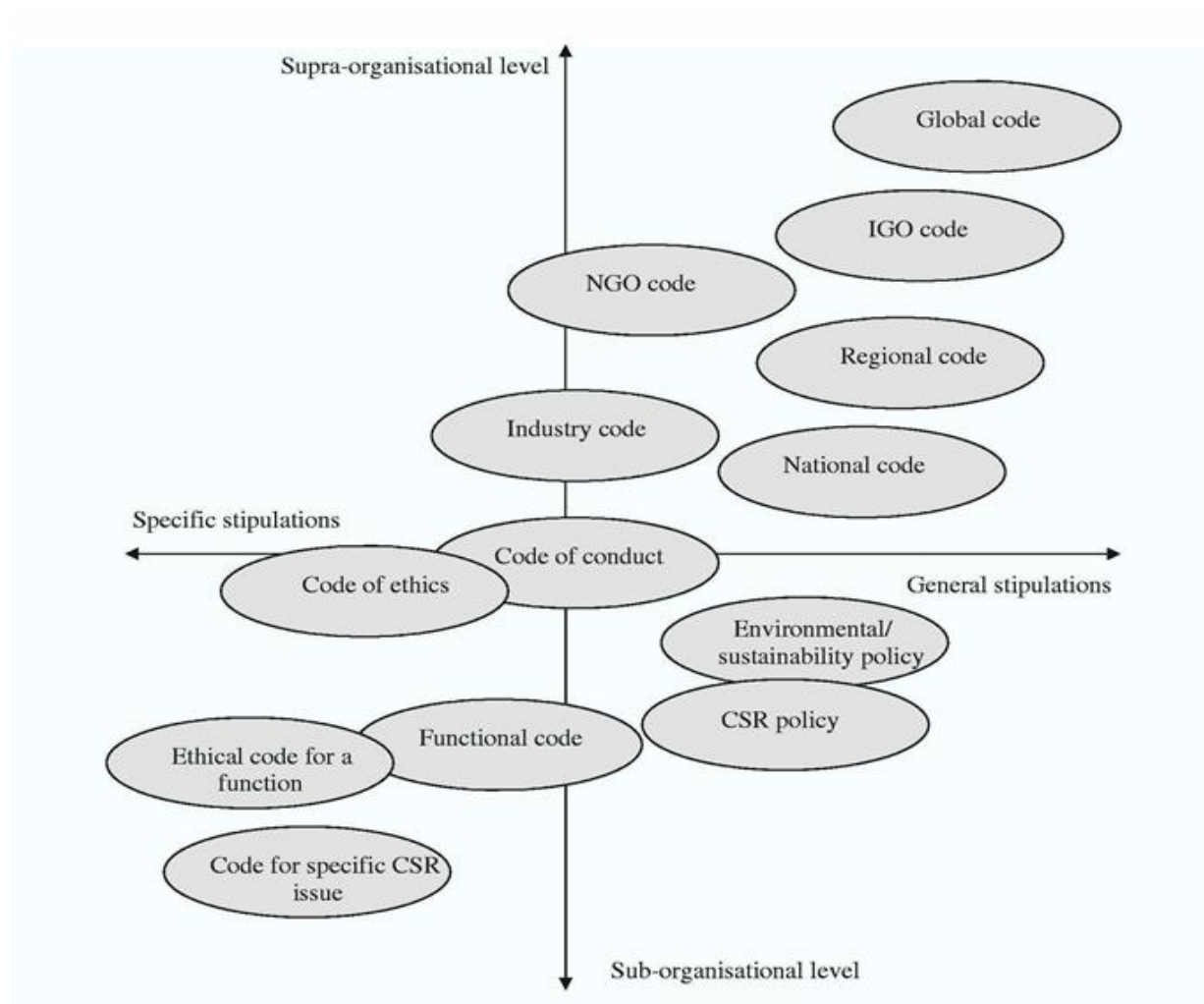
Figure 2: A typology of codes of conduct

Source: Preuss (2010: 477)

While this research project is focused on organisational codes of conduct, it is necessary for the researcher to reflect on some sub-organisational codes and supra-organisational codes of conduct that have relevance to an organisation's own code of conduct.

From a sub-organisational point of view, a code of conduct could refer to various policies in their code of conduct to provide more information and guidelines to the user. It is also a way for organisations to ensure that the code of conduct does not become too bulky and user unfriendly. Polices could include sustainability policies; corporate social responsibility policies; gifts polices; political involvement policies; whistleblowing policies; and bribery and corruption policies. There could also be secondary codes of conduct such as suppliers' and directors' codes of conduct. The code of conduct could also be supplemented with guidelines on the application of principles contained in the code of conduct.

In terms of supra-organisational codes of conduct, there are a number of codes that could have an impact on the organisation. Industry wide codes of conduct could be in place, either as a voluntary attempt to regulate the activities of organisations, or as result of regulatory intervention. Professional codes of conduct could also constrain some members of the organisation in their activities, or constrain the functioning of certain divisions within an organisation – examples could include marketing codes that ensure the sales of insurance policies are done ethically.

Global codes for multinational organisations deserve a special mention, as a number of participating organisations' codes of conduct contain references to global codes, and suggests that this could be a growing trend for organisations to align themselves with global standards including human rights and labour standards. The main global codes are detailed as follows:

- The UN Global Compact (2010) encourages companies worldwide to adopt its Ten Principles. The Ten Principles are sub-categorised into principles of human rights, labour, environment and anti-corruption.

- The OECD Principles of Corporate Governance (2004: 4) were established to promote policies designed to further sustainable economic development, employment and standard of living; to further global expansion; and to facilitate fair world trade.

- The Caux Round Table is an international network of business leaders advocating principled business practices, thus furthering 'moral capitalism' (Caux Round Table,

2011). It developed principles for responsible business, government, non-governmental organisations (NGOs), wealth owners, and principles for responsible globalisation.

- Ceres Principles (Ceres, 2011) are an environmentally focused international network of environmental organisations, investors and other stakeholders, which associate with organisations and investors to promote global sustainability.

- Social Accountability International (SAI) (Social Accountability International, 2011) furthers the interests of workers' rights on an international scale through the development of expected standards, for example the SA8000 standard.

- The International Labour Organisation (ILO) (2011) is a UN agency, which through representation by governments' employers and workers, develops and promotes international labour standards. Labour standards are provided in the format of conventions and recommendations.

- Amnesty International (2011) is a campaigning non-governmental organisation that promotes human rights. Amnesty International provides human rights principles for companies through detailing their internal and external responsibilities.

Reference to various policies and external codes of conduct impacting on participant companies' codes of conduct are made in Table 4.9 in Appendix 4, and Tables 3.1, 3.10 and Table 3.11 in Appendix 3 although these policies and external codes of conduct were not analysed.

The structure and content of organisational codes of conduct are discussed in the following section.

3.2.2 Structure and content of organisational codes of conduct

The structure and content of organisational codes of conduct vary dramatically between organisations. Skubik and Stening (2009: 516) provide an entertaining synopsis of the complexity of codes of conduct: "Codes ... can be advisory, precatory, aspirational, educational, admonitory, mandatory, externally enforceable, or self-sanctioned; and can comprise or present for consideration a broad range of general principles, casuistic reasonings, rules, guidelines, benchmarks, goals, advisory opinions, or requirements". This section will explore some research and discussion on the structure and content of codes of conduct.

Code of conduct structural decisions: Aspirational versus directional codes of conduct

One of the most important decisions that organisations must make when developing or revising a code of conduct, is whether it should be directional (rules based), aspirational (values based), or make use of elements of the two. This document makes use of the term 'code of conduct' to refer to 'codes of conduct' and 'codes of ethics'. As mentioned previously, the distinction is sometimes made between the two, with codes of conduct being viewed as rules orientated and codes of ethics as values orientated.

Rossouw and Van Vuuren (2010) distinguish between aspirational and directional codes of conduct. Aspirational codes of conduct tend to be brief and specify the standards of behaviour expected from members the code applies to, and intends to provide members with an ethical ideal that they should aspire to. Rossouw and Van Vuuren (2010: 241-242) list the benefits and weaknesses of aspirational codes of conduct. Benefits are as follows: Recallability of the brief document; they allow for discretion in decision-making; and they are inclusive and can be applied to all situations. The weakness of aspirational codes of conduct is that they may result in vagueness and be difficult to enforce.

A directional code of conduct is a more detailed document, and specifies behaviour expected by members in certain circumstances. Again Rossouw and Van Vuuren (2010: 242-243) list some benefits and weaknesses of directional codes of conduct, the benefits of which being: These codes are specific with regard to expected behaviour; they are easier to enforce; and sanctions make it clear as to what is not acceptable. Weaknesses include the difficulty in recalling the content of the code of conduct and that it does not allow for discretionary decision-making.

Trevino and Weaver (1999) compared compliance ethics programmes and values orientated ethics programmes. A compliance ethics programme could be viewed as directional in nature, providing clear rules and regulations regarding conduct. A values orientated programme will aim to facilitate an ethical environment by providing members of the organisation with support and guidance, where they are encouraged to advance the values of the organisation. While their research looked at the compliance programme as a whole and was not specific to codes of conduct, the results could be relevant to the impact of directional (as would be found in a compliance ethics programme) versus aspirational (found in value orientated ethics programmes) codes of conduct.

Trevino and Weaver (1999: 321-323) found that employees encountering a values orientated ethics programme were more aware of ethical issues in the workplace; more comfortable seeking advice on ethical issues; perceived less unethical behaviour in the organisation; were more loyal to the organisation; and encountered better ethical decision-making.

Trevino and Weaver (1999) suggest that a compliance programme is, by its very nature, a programme of coercion, and unlikely to generate organisational support and trust. However, they did find that compliance programmes had the following perceived benefits: less unethical behaviour; encouraged employees to seek advice; and raised awareness of ethical issues in the workplace. A combination of a compliance and values orientated programme was perceived to encourage employees to report unethical behaviour to management.

Trevino and Weaver (1999) assert that their findings suggest that managers should not just enforce rules, but rather should encourage shared values with employees and support employees in this regard. Trevino and Weaver (1999) encouraged further research in the relationship between ethics programmes and employee outcomes as well as the impact of a combination of values and compliance orientated programmes on employee outcomes.

The actual code of conduct can contain a range of provisions, and the possible options that organisations could consider are discussed in the next section.

Code of conduct content options

Bettcher et al. (2005) developed the Global Business Standards Codex as a reference guide to code of conduct content. The codex delineates content into eight underlying ethical principles, unpacked into key concepts, constituency and standards. The codex will form the basis of the analysis of participating organisational codes of conduct as it is a useful benchmarking framework in terms of code of conduct content. The analysis is detailed in Tables 3.2 – 3.9 of Appendix 3 of this thesis. The codex categorises codes of conduct into fiduciary, property, reliability, transparency, dignity, fairness, citizenship and responsiveness principles – these will be detailed in greater detail in Chapters 7 and 8.

The challenge in evaluating the content of codes of conduct using the codex is that it may not give an indication of whether the content is relevant, useful and appropriate. Stevens (1996) suggested that when studying codes of conduct, it is important to understand the potential dimensions of a code of conduct. Stevens (1996: 74) asks whether "codes are visionary? Do they instruct? Do they motivate? Are they written in ways which encourage or discourage compliance? Are they effective channels for communicating corporate values and ethical standards of conduct?"

This would suggest that the content of codes of conduct should not just be a list of acceptable and unacceptable behaviour, but that the tone and the way that they are worded, is an important consideration for codes of conduct. If they are visionary, as Stevens (1996) suggests, they become motivational and have a greater impact on promoting ethical behaviour.

Findings from code of conduct content research will be evaluated, which provide insight into the wide range of content that can be included in codes.

Rossouw and Van Vuuren (2010: 243-244) suggest that most codes of conduct contain the following content: Rationale for the code; details of the ethical values, principles or standards; guidelines for conduct and ethical decision-making; sanctions that may be imposed; and reference to resources. These guidelines are used in evaluating participating organisations codes of conduct and they are detailed in Table 3.1 of Appendix 3 and incorporated into Table 10.

Preuss' (2010: 478) findings on code of conduct content include the following: Compliance with legislation; fairness, openness and non-discrimination; environmental protection; health and safety; human rights; remuneration policies; freedom of association; supply chain; community support; sanctions; and reference to global codes of conduct.

KPMG's research on codes of conduct (KPMG Business Codes of the Global 200, 2008: 3), suggests that codes of conduct comprise several types of information, namely the organisation's mission and values, core values, responsibilities to stakeholders (consumers, shareholders, suppliers, environment, human rights, social involvement), and standards and rules. The codes were found to focus mostly on employees, specifying conduct relating to confidential information, accuracy of reporting, protection of property, and dealing with gifts and entertainment.

Kaptein (2004:13) studied 200 of the world's largest organisations to determine prevalence of codes of conduct, and code of conduct content. The author's content analysis determined the following content in codes of conduct: Stakeholder responsibilities with regard to customers, investors, employees, supply chain members, broader society, competitors and the natural environment; supplying quality products and offering good value to customers; consumers health and safety; fair pricing; above average returns for investors; personal growth and development of employees; treating of employees with dignity and respect; valuing diversity and equal opportunity; enriching working environment; observing the law;

good corporate citizenship; irresponsible competitive behaviour; environmental care; working conditions; and the reduction of negative environmental impacts.

Stakeholder principles were the second issue that Kaptein (2004: 21) analysed in the codes of conduct: they included transparency; honesty and truth; fairness and impartiality; trust; empathy, respect and diversity; stimulating stakeholders to raise concerns; accountability; dialogue and open communications; equality; responsiveness; keeping promises; coherence and uniformity; and freedom and autonomy of stakeholders. Core values that Kaptein (2004: 22) found represented in the codes of conduct were teamwork, mutual respect, interdependence, cooperation and team spirit; responsibility and conscientiousness; open communication; innovation, creativity and pioneering; being customer orientated; flexibility; efficiency; professionalism; entrepreneurship; pride and dignity; loyalty; motivation, enthusiasm, energy, spirit, encouragement; participation; shared purpose and unity; exchanging ideas and learning; independence; consistent and an unequivocal public image; effectiveness; productivity; cost-awareness; discipline; diligence, perseverance and dedication; courage and daring; harmony; and humility.

Employees conduct towards the firm and themselves were addressed in the research by Kaptein (2004: 23), especially with regard to corporate funds, corporate equipment, corporate information, the authorities, corporate time and staff. The following predominant issues were covered in the codes: Adherence to sound financial accounting principles; no fraud; proper use of equipment and goods; protection and no theft of equipment or goods; restriction on taking home business equipment; private use of corporate communication; no leakage of confidential information; no insider trading; no employee conflict of interest; no corruption or bribery; prohibition or restriction on acceptance of gifts; no favouring of family or friends; no alcohol or drug use; no discrimination; no intimidation, harassment or threatening behaviour; treating one another with respect; and no sexual harassment.

The researcher did consider using Kaptein's (2004) findings as a benchmark to conduct the code of content analysis, but decided to use the codex (Bettcher et al., 2005) as a preferred framework of analysis – the codex structure with its underlying principles was found to be more useful for the current research.

A useful classification scheme was introduced by Gaumnitz and Lere (2004: 330 - 332) that measured the various structural dimensions of a code of conduct. The six dimensions were as follows: Length of the code of conduct that specified how many statements or ideas the code of conduct contains (for example a twelve statement code); focus of the code of conduct that specifies how many themes or ideas the code of conduct contains (such as a

twelve statement code of conduct spread over six themes); the level of detail in the code of conduct reflected in the average number of statements per theme (for instance two statements per theme on average); the shape of the code of conduct where a horizontal code of conduct would cover each theme in equal detail, while a vertical code of conduct would emphasise a particular theme; the thematic content used to identify emphasis on content (such as confidentiality or respect); and the tone describing the emotional reaction of the statements (whether the statements were directional or aspirational).

An example of such a classification could be the following:

4 5 1 1 1 Confidentiality respect 75% directional

This would be interpreted as follows: There are five themes, with the first theme comprising four statements, the second theme comprising five statements, and remaining three themes comprising one statement per theme. The first two themes are emphasised due to the number of statements, which deal with confidentiality and respect. Seventy-five percent of the statements are directional in nature.

While Gaumnitz and Lere's (2004) system will not be used to analyse the codes of conduct of participating organisations, it does highlight the importance of length, number of sections, and the tone of the code of conduct. In view of this, the analysis of the codes of conduct reflected in Table 3.1 included detailing the number of pages and number of content provisions. Length and complexity were also an issue discussed in the interviews and are reflected in the findings in Chapters 7 and 8.

The context of the organisation is suggested as a factor influencing code of conduct effectiveness, such as the industry in which it operates. Research on some of these factors and their impact on the content of codes of conduct are discussed below.

Madden and O'Dwyer (2006: 225) further explored code of conduct content in the industry sector context. Industries were categorised, namely agri/food/drink, manufactured/processed goods, distribution, financial services, and technology. Results indicated the prevalence of the following code content in differing sectors. In the distribution sector, content focused on legal compliance; insider information; health and safety; substance abuse; client confidentiality; religious harassment; and dress code. The technology sector highlighted legal compliance; insider information; substance abuse; client confidentiality; protection of company information; theft and fraud; employee confidentiality; protection of company assets; equal opportunity; sexual and racial harassment.

Financial services codes were less likely to include equal opportunity, sexual harassment, and societal issues in their code of conduct, while the manufacturing and agri/food/drink industries were less likely to include client confidentiality, racial harassment, and dress code in their code of conduct. Financial services, tourism/leisure and media telecoms were least likely to include societal impact issues in their code of conduct, while the distribution sector was most likely to address societal impact issues and a wider range of content. These findings will also be reflected upon in Chapter 4 when exploring the impact of the industry on the effectiveness of codes of conduct.

The issue of child labour reflected in codes of conduct within multinational organisations was studied by Kolk and Van Tulder (2002: 295 - 297). Their results indicated a low level of adoption of child labour issues into codes of conduct. They found that many smaller pioneer firms in the retail and apparel industries, where child labour abuses are prevalent, had introduced codes on child labour issues. The codes that included child labour issues were studied in terms of content and sanctions, and the following results were detailed: Half did not specify a minimum age, and of those that did, 14 was the age most mentioned, which is consistent with ILO Conventions; some codes refer to International Labour Organisation compliance, which would be 15 years of age, with the exception of developing nations, where the minimum age stipulation is 14 years of age. Most codes that have minimum age stipulations also specify host country compliance should the country specify a higher minimum age. Most multinational organisations do not clearly define the extent to which their codes apply to their supply chain, in which child labour abuses could take place. The majority of codes contain monitoring provisions, with 45% of multinational organisations taking strong measures for non-compliance such as discontinuing the business relationship.

While this discussion has detailed the various types of code of conduct, the structural dimensions of codes of conduct, and provisions within a code of conduct, it would be remiss not to cover criticisms against codes of conduct – hence the next section explores the critique of codes of conduct.

3.3 Critique of codes of conduct

Codes of conduct have been criticised on a number of levels. Examples are inappropriate content, poor implementation and enforcement, and then more significantly, their inability to curb major corporate collapses as a result of unethical behaviour. De Bos and Lückerath-Rovers (2011:465) lament how corporate governance codes implemented after the Enron and WorldCom corporate scandals did not eradicate the problem, but "on the contrary, due

to an ongoing supply of new financial scandals and societal deceptions, our society increasingly distrusts executive and non-executive directors (NEDs), as they often appeared to play a significant role in these scandals".

This section will reflect on barriers to an ethical organisation, and then detail a number of researchers' arguments against codes of conduct and the inability of codes of conduct to eradicate unethical behaviour, and finally reflect on why individuals may be hesitant to report misconduct. The researcher will make preliminary counter-arguments or suggestions as to how weaknesses could be overcome to ensure the effectiveness of codes of conduct.

Bazerman and Tenbrunsel (2011: 65) contend that even with increased regulation and interventions to improve ethical behaviour – such as codes of conduct – unethical behaviour is on the rise. They caution against 'forcing' ethics within an organisation, and suggest leadership should encourage staff to ask the following question when making a decision: "What ethical implications might arise from this decision?"

Bazerman and Tenbrunsel (2011) further assert that there are five key barriers to an 'ethical organisation': Ill-conceived goals; 'motivated blindness' induced by conflicts of interest; indirect blindness of delegating responsibility to avoid accountability such as outsourcing to companies contravening global standards of business practice; the 'slippery slope' of allowing small transgressions that evolve into greater transgressions; overvaluing immediate outcomes at the cost of ethical behaviour and long term sustainability.

Rossouw and Van Vuuren (2010) describe a number of limitations of a code of conduct. They suggest that codes may not always promote moral autonomy, as individuals governed by a code of conduct may not be given the sanction to think independently and develop creative solutions to ethical dilemmas. Coughlan (2005) similarly describe how 'justifications' are used in ethical decision-making – an example may be an employee not reporting observed theft of stock by a colleague, arguing that as the code of conduct does not specifically mention that such theft is a contravention of the code of conduct, the employee was not under an obligation to report the theft. Rossouw and Van Vuuren (2010) suggest that acting strictly in accordance with code of conduct stipulations may result in inability or unwillingness to make decisions outside of the code's stipulations. They further argue that one often needs skills to apply a code of conduct, and the failure to provide complementary training and skills development to apply the code in ethical decision-making, may result in inability to make moral decisions.

As codes of conduct promote standards of behaviour amongst an organisation's members, these standards are unlikely to encourage differing views, and may even be seen as oppressive to those holding differing views. Without open communication, debate and regular revision of a code of conduct, a code of conduct may not properly reflect the moral views of an organisation's members.

A critical point made by Rossouw and Van Vuuren (2010) is that codes of conduct may even be counterproductive. This is likely to happen when the code of conduct promotes behaviour that is not translated into actual behaviour, or when there is weak intra-organisational trust. Codes of conduct in this environment could be perceived as an attempt to hide unethical behaviour and to deal with concerns stakeholders may have about the organisation. In these cases, members of an organisation may perceive the codes to be a manipulation tool utilised by management, and it is unlikely that individuals would place much credence on the value of these codes.

There are possible interventions to counter these problems and ensure the code of conduct works. In terms of the argument of 'justification', a code of conduct could be written in a manner to encourage ethical decision-making in a wide variety of scenarios, rather than being too specific. Training could supplement the code of conduct to ensure members of the organisation can correctly apply the codes, and codes could be incorporated into operational processes to ensure compliance. With regard to codes of conduct not reflecting the views of individual members, a consultative process during the development and revision process of the code of conduct could contribute towards content that does reflect the view of individuals and would garner support for the code of conduct provisions. The argument that a code of conduct is counterproductive and may be used as a smokescreen for unethical behaviour highlights the importance of leadership support for the code of conduct and a positive ethical culture, without which the document will not reflect the values of the organisation and leadership, and is most likely to fail.

Painter-Morland (2006) lists certain flawed objectives in code of conduct development and application practices. The first is the use of codes of conduct as 'window-dressing' – codes are used to misrepresent the values of the organisation and contribute little to the ethical attributes of the organisation. The second problem is that codes of conduct could have a Western or First World bias and ignore the context of the organisation. She states that "codes that attempt to hold everyone to the same ethical standard, regardless of the context and circumstances within which they operate, are doomed to irrelevance from the outset" (Painter-Morland, 2006: 353).

The last objective is that there is a lack of oversight with regard to code of conduct compliance. She later questions whether auditing / consulting / NGOs and such bodies have the necessary ability to be objective in this regard, and recommended some form of stakeholder involvement in oversight to be effective. The results of these objectives are codes of conduct that lack stakeholder engagement; lack integrity; and lack stakeholder activism. In the author's view, triple bottom-line reporting could address these problems in code of conduct development, as such reporting focuses on stakeholder engagement, organisational integrity and stakeholder activism (Painter-Morland, 2006: 355).

Suggestions to counteract these problems could include the organisation's values, leadership and corporate culture be aligned to ensure the code of conduct is a true reflection of the organisation's stance on ethical issues; the development, revision and implementation of codes of conduct take account of the organisation's context; and introduce monitoring compliance mechanisms including transparent reporting.

A code of conduct will be 'useless' without being supported by an ethical culture and proper code of conduct development and implementation. As Bauer (2009: 19) explains the misconception that many organisations may have towards codes of conduct believing "that simply writing an ethics code is a magical thing. Once written and heralded by senior management, all things ethical will be fine". The author distinguishes between codes of ethics and codes of conduct, where codes of ethics apply more to the ethical culture of the organisation. The author contends that the majority of ethics codes are "useless documents … (and) are just poorly disguised codes of conduct, risk management documents, or overly elaborate statements of the obvious" (Bauer, 2009). The author emphasises the importance of developing an ethical culture at all levels of the organisation as a pre-requisite for appropriate ethical behaviour.

Schwartz (2001: 257) summarised reasons for non-compliance with a code of conduct by employees as the following: Self-interest founded on greed, pride or financial distress; dissatisfaction by the employee towards the organisation; the environment such as negative peer pressure; pressure by the organisation to achieve certain objectives may indicate priority of the organisation's interest over that of ethical behaviour; and ignorance of the code of conduct or inability to interpret the code's provisions.

It could be argued that a suitable code of conduct that is well implemented would create an environment free of negative peer pressure; discourage problematic performance and reward criteria; prevent ignorance through training and communication; and put operational

structures in place to guard against individual self-interest compromising the interests of the organisation.

Ineffective codes of conduct may be attributable to poor code of conduct implementation measures, as evidenced by Sethi (2003: 82), who suggests that codes of conduct suffer from three principle formulation and implementation weaknesses: codes are mere public statements of intent rather than being well formulated; codes are not taken seriously; and codes are not supported by effective monitoring mechanisms. Sethi (2003) attributes the poor reputation of multinational corporations to the inability of these organisations to implement their own codes of conduct, and a reactionary response to public pressure regarding their activities. The author argues that there is a lack of transparency in organisations, and that they are hostile towards independent monitoring and communication with the public and their code of conduct compliance.

This view is again echoed by Cludts et al. (2003: 65) who suggest that "many organisations get stuck in the challenge of implementing and maintaining the code. The code then turns into nothing else than the notorious 'paper in the drawer', without achieving its aims". The authors suggest that the mere existence of a code of conduct does not necessarily result in ethical behaviour.

An interesting critique of codes of conduct is posed by Braswell, Foster and Poe (2009) who argue that the Sarbanes-Oxley Act of 2002 and the Securities Exchange Commission (SEC) rules compel organisations to make immediate disclosure of reports of code violations and waivers, which can expose organisations to civil or criminal action. Such reports could also negatively impact on the organisation's reputation and adversely affect its share price. In their view this had led to the introduction of vague codes of conduct by organisations to ensure compliance, yet these codes of conduct are ineffective in deterring unethical behaviour.

It may be advisable that regulators take this fact into account when developing corporate governance regulations to ensure that codes of conduct are developed and implemented to enhance the ethical state of the organisation rather than being introduced in a format to avoid civil and criminal sanction. King III provides an interpretative view allowing organisations to determine their own course of action rather than being obligated to follow dictates such as those of the Sarbanes-Oxley Act of 2002 and the Securities Exchange Commission rules – King III may create a better regulatory environment for effective code of conduct development and implementation.

An underlying assumption for an effective code of conduct would be that observers of contraventions of the code would report the fact. If they do not and the action goes without sanction, the code has been ineffective. A study by Baetz, Hughes and Nitsch (2005: 331-335) explored why undergraduate students were unlikely to report unethical behaviours even though the academic institution compelled students to report unethical behaviour. The factors for non-reporting are presented in Table 1 below:

Table 1: Factors for non-reporting

Source: Baetz et al. (2005: 331 – 335)

Factor	Definition of factor	Typical rationales (331)
Factual non-responsibility	"The facts as known by the respondent / observer are insufficient to establish a violation and hence do not obligate him or her to report anything"	I don't know what to do I'm just following orders Not sure if I have proof What is a violation?
Moral non-responsibility	"The facts as known by the respondent / observer indicate a rule violation, but he or she believes that the responsibility for action lies elsewhere"	There is no problem It's someone else's job The system is too burdensome Incentives are elsewhere, it's not worth it
Consequential exoneration	"The facts as known by the respondent / observer impose a prima facie obligation to report, but the harm to him or her caused by such action would outweigh the good that might be achieved"	I might get hurt I don't want to be disloyal to my friend
Functional exoneration	"The facts as known by the	I know better

| | respondent / observer impose a prima facie obligation to report, but the existing enforcement system cannot be trusted to bring about an appropriate resolution" | I can deal with it myself

The system is unfair, arbitrary |
|---|---|---|

The importance of reporting misconduct is emphasized by Baetz et al. (2005) to ensure unethical behaviour is identified, sanctions are instituted, and that both the organisation and individuals learn from these examples of misconduct, is critical to code of conduct success. To ensure this actually happens, the code of conduct should detail reporting mechanisms and access to whistleblowing hotlines; ensure ease of access to hotlines (such as support in the language of the whistleblower); ensure anonymity; protect the reporter from retaliation; investigate all reports; and importantly, provide the ethical culture and leadership support that encourages reporting of misconduct.

Multinational organisations have faced critique for their poor record in developing nations, and the next sub-section will attempt to shed some light on why their codes of conduct have not always been effective in ensuring responsible business conduct.

Multinational organisations

Multinational organisations operate in geographically dispersed areas; with different cultural contexts; within countries of differing stages of economic development. As all of the participant organisations in the research study were multinational organisations, it is apt to include some discussion on multinational codes of conduct including challenges in the supply chain network and cultural insensitivity.

With regard to the supply chain, Lund-Thomsen (2008) explored the role of codes of conduct in multinational organisations, emphasising that codes of conduct could do more harm than good. For example, simply complying with certification schemes or environmental standards does not automatically guarantee environmental improvements; maximum number of hours worked may compromise families' ability to provide for themselves when they are paid on a piece-rate basis; and outsourced small scale family manufacturing makes use of children jeopardised.

Lund-Thomsen (2008: 1012) reflects that "to simply assume that suppliers should implement a code of conduct which is drawn up in an office in London or New York, and that this will improve workers' conditions in the developing world, seems not only unrealistic but also naïve" – a reference to the necessity for cross-cultural applicability of codes of conduct.

Lund-Thomsen (2008) makes the following five recommendations with regard to codes of conduct for multinationals: more meaningful ways should be developed to understand the impact that codes of conduct have in developing nations; social, economic, environmental and linguistic factors need to be taken into account when codes of conduct are implemented; governments and international organisations have a role to play in ensuring suppliers in developing nations are more responsible in terms of their social and environmental activities; multinational organisations must engage with suppliers on a longer term basis and contribute resources and expertise to improve their social and environmental impact; and, to prevent negative impact on workers and the community, multinational organisations should seek to develop a dialogue with them, and incorporate their input into the design and implementation of codes of conduct.

The negative impact of codes of conduct enforcement on the supply chain of multinational organisations was also highlighted by Yu (2008). While confirming that Reebok's code of conduct dealing with labour standards did have the desired effect of eradicating inhumane working conditions such as child labour, corporate punishment, unsafe working conditions, it did not have the desired positive impact on wages, working hours and workers' rights to freedom of association.

A lack of compliance by toy manufacturers supplying Swedish retailers with the Swedish organisation's code of conduct, again questions the effectiveness of multinationals' ability to ensure their suppliers comply with their codes of conduct. Egels-Zandén (2007) suggests that non-detection by Swedish retailers of the contravention of their code of conduct was the result of 'decoupling', where suppliers deceived monitoring organisations in the following ways: Instructing employees on what to say; compensating employees for giving incorrect information; forged salary lists; forged time cards; hiding some of the workforce during inspections; and forged employee contracts.

The reasons given by supplier firm employees and management for giving false information were as follows: Risks of being punished by management and loss of compensation; the fear that retailers would sever ties with suppliers resulting in them losing their employment; and management believed compliance compromised the organisational goals of on time delivery and profitability. Other reasons suggested by Egels-Zandén (2007) for non-compliance were

the lack of action by retailers on previous reports of non-compliance and the time-lag to introduce changes to the suppliers' infrastructure to be compliant.

Egels-Zandén (2007) has made recommendations to improve compliance, and therefore the effectiveness of codes of conduct by multinational firms, which includes ensuring that their purchasing decisions do not trade off compliance with economic purchasing criteria; they should work closely with supplier management to further a change in management style towards compliance; and they should improve their monitoring capabilities.

Lund-Thomsen (2008), Yu (2008) and Egels-Zandén's (2007) findings have demonstrated the complexity of the supply chain network when sourcing products from developing nations. The inference is that codes of conduct for suppliers should be drafted in a manner that will not have negative repercussions on the communities they wish to protect; they should be culturally sensitive; and mechanisms need to be introduced to monitor compliance in complex environments.

The above critique and reflection provide a suitable introduction to the motivation for this research on methods to improve codes' of conduct effectiveness.

3.4 Motivation for further research on codes of conduct

The discussion up to this point has highlighted the extensive research on codes of conduct, yet corporate misconduct is still a global phenomenon. This is in itself a motivating factor for further research into codes of conduct as a facilitating tool to improve ethical standards within organisations.

This section will firstly explore some research into unethical behaviour, the cost of unethical behaviour, and benefits of ethical behaviour in organisations. It will then introduce the relationship between codes of conduct and their effectiveness and the inconclusive results of research into their effectiveness.

3.4.1 The cost of unethical behaviour and benefit of ethical behaviour

Intuitively, unethical behaviour will have negative consequences while maintaining ethical standards will be beneficial to the organisation. The following reflects some research in this regard.

The imperfect world and the impossibility of eradicating unethical behaviour are perhaps epitomised by Collins (2006: 19) who eloquently contends that "from a moral perspective we are morally imperfect people living in a morally imperfect world. We are born to morally

imperfect parents, grow up with morally imperfect siblings and friends, are taught by morally imperfect teachers, and get jobs working for morally imperfect bosses in morally imperfect organisations". In this context, the author asserts that organisations should do their best to maximise ethical behaviour and eliminate unethical behaviour.

The 2009 National Business Ethics Survey conducted by the Ethics Resource Centre (2009, b) highlighted the fact that even though there had been a marginal improvement in ethical behaviour than determined in previous such surveys, there was still a high prevalence of unethical behaviour amongst organisations in the United States of America evidenced by a high level of employees witnessing unethical behaviour in the workplace; employees experiencing pressure to 'cut corners' in order to achieve their objectives; a higher level of retaliation against employees reporting misconduct; and a perception by employees that their business leaders were not transparent.

The research found that the level of misconduct reduced during economic difficulties, and unethical behaviour was higher during times of economic prosperity. The reason for this is that during economic downturns, there is possibly more focus on ethical issues and concern about sanction. However, findings indicate that ethical culture is eroded during recessionary times, with some respondents indicating that their organisations had to lower ethical standards to remain in business.

The cost of unethical behaviour is difficult to quantify. Undetected unethical behaviour may not lead to a loss of profits, in actual fact it may even increase the profitability through higher sales for example, which may occur due to unethical sales methods. Disclosed unethical behaviour may lead to reputational damage, but does that necessarily lead to a loss of revenue due to consumers switching suppliers?

The cost of fraud to an organisation is one area that has been quantified. The 2010 Global Fraud Study (Association of Certified Fraud Examiners, 2010) attempted to measure the loss to organisations due to occupational fraud. It studied 1 843 cases of fraud globally and determined that the fraud cost the average organisation 5% of its average revenue, with the median loss to organisations of US$160 000. They extrapolated that on a global scale, such fraud costs the global economy US$2.9 trillion.

The survey determined that fraud lasts a median of 18 months before being discovered. The type of fraud was categorised as follows (Association of Certified Fraud Examiners, 2010): Asset misappropriation; financial statement fraud; and corruption schemes. It was found that smaller organisations were more susceptible to fraud as they did not have the necessary

anti-fraud measures in place. Over 80% of fraud was committed in either the accounting, operations, sales, management, customer service or purchasing departments. Over 85% of those committing fraud had never been charged or convicted in the past. Possible warning signs of people susceptible to fraud were individuals living beyond their means or those experiencing financial difficulties.

The Association of Certified Fraud Examiners (2013) produced a report in 2012 that explored the impact of the economic recession on occupational fraud, stating that the current economic recession has led to an increase in fraud globally. It also found that the threat of employee embezzlement had increased; retrenchments had compromised internal control systems; and that the increasing trend of fraud levels is expected to continue rising.

Frooman (1997: 221) studied the reaction of the stock market to socially irresponsible behaviour, finding clear evidence that such behaviour diminished shareholder wealth, concluding that organisations should act in a socially responsible manner as it is one of the conditions for increasing shareholder wealth. The author terms this position as "enlightened self-interest, which prescribes that firms should act in a socially responsible manner to promote the shareholders' interests".

Frooman (1997) made use of meta-analysis research into irresponsible behavioural events, and found that these acts resulted in substantial loss in shareholder wealth, where the market accounted for future tangible and intangible costs of such behaviour. The findings also indicated that the negative reaction was not short term in nature, but permanently affected the value of the firm's stock. The rationale is that such behaviour reduces future cash flows, hence a reduction in demand for such stock, resulting in lower stock price.

Frooman (1997) posed three questions for future research: Does the market reward socially responsible and law abiding behaviour; how do negative returns relate to actual costs incurred in rectifying the irresponsible behaviour; and is the negative response ethical or economic in nature?

This section has highlighted that unethical behaviour, as evidenced by the level of fraud perpetrated, is high and is increasing rather than decreasing even in the face of greater statutory intervention. It also indicates that the implication of unethical behaviour is negative. The relationship between ethical behaviour, and organisational performance and value is further detailed.

Jose and Thibodeaux (1999: 139), in their study of managers' perception on the institutionalisation of ethics, found that managers believed ethical behaviour was good for

business: "Managers did not seem to find business ethics an oxymoron; instead, they perceived that ethics and business can coexist, values are good for the bottom line, and that it is not necessary to compromise one's values to be competitive".

Choi and Pae (2011) suggest that many organisations are beginning to view corporate governance as a competitive tool. Undertaking research on organisations listed on the Korean Stock Market, they found that adoption of quality corporate governance and embedding of business ethics reduced a company's cost of capital. This in turn increased the firm's value accordingly. One of the explicit dimensions cited in their ethical commitment index is the existence of a code of conduct by an organisation.

In the annual survey conducted amongst MBA students by the Aspen Institute (The Aspen Institute, 2008), respondents were asked to rank the importance of aspects of a well-run company. The results indicate that an organisation operating according to its values and a strong code of conduct ranked very highly as one of the essential aspects of a well-run company. The results also indicate a strong perceived correlation between a company fulfilling its social responsibilities and positive public image and reputation, however, respondents felt that fulfilling its social responsibilities did not equate to increased revenue or lower operating costs. Yet, interestingly enough, high ethical standards by organisations did not have much influence on the respondents' job selection process.

Although in a dated research study (based on 1997 data and published in 1998), Verschoor (1998) found a positive relationship between financial performance and a commitment by organisations to ethical behaviour towards stakeholders or compliance with their code of conduct – details of which were specified in their shareholders report. Firms in the top 500 largest United States of America's companies, that showed such a commitment, performed better financially than those that did not. Verschoor asserted that while most of the organisations studied had a code of conduct, reporting the fact and commitment towards ethical issues through Social and Ethical Accounting, Auditing, and Reporting (SEAAR) principles, furthered a culture that reflected the firms' values and supported stakeholder interests. Furthermore, without commitment by the organisation's leadership or compliance mechanisms, a code of conduct may not be sufficient to further ethical behaviour.

Erwin (2011) highlights three possible positive results of high ethical standards: Improved company performance on a number of levels including financial; benefits in consumer support based on reputation; and avoidance of negative consequences resulting from unethical behaviour. The author contends that a code of conduct is a common corporate social responsibility tool with the following benefits: Establishing and communicating

expected business practices; governing actions by employees that promote ethical business practices; enhancing organisational reputation and legitimising the organisation's public image; and other benefits such as product differentiation, better risk management and improved customer relations.

The above research findings have demonstrated that unethical behaviour has negative consequences to the organisation and impacts negatively on the organisation's value, while ethical behaviour can enhance the organisation's performance and long term value. The research by Choi and Pae (2011), the Aspen Institute (2008), Verschoor (1998) and Erwin (2011) also suggests that codes of conduct play an important role in facilitating this ethical behaviour.

3.4.2 The relationship between codes of conduct and their effectiveness

The relationship between codes of conduct and their effectiveness will be discussed and their results regarding code of conduct effectiveness evaluated.

Stevens (2008: 607) contends that there are sufficient documented research findings to indicate that codes of conduct are effective, and suggested that the future research focus should lie on creating and implementing codes of conduct that further the values of the organisation and establish strong communication channels to embed the code into the organisations.

The importance of embedding a code of conduct is reiterated by Cludts et al. (2003). Their point of view is that a documented code of conduct is only an initial stage and that the code of conduct needs to be embedded and applied to daily activities to ensure effectiveness. Logsdon and Wood (2005) also talk of embeddedness, but from a different angle. They believe the values of an organisation need to be embedded in the code of conduct and various policies of the organisation – an indication that the effectiveness of the code would be evidenced by the values being manifested in the organisation.

The role the code of conduct can play in improving ethics is suggested in the research by Collins (2006:19). Collins (2006) states that organisations must emulate Five Moral Levees to improve ethical performance. The first is employing the right people who echo the values and standards of the organisation. Secondly, the code of ethics must be made a living document, again emphasising the importance of embedding the code of conduct into the organisation. The last three moral levees can be categorised as formal and informal

methods of code of conduct implementation, namely the role of leadership, performance appraisals aligned with ethical behaviour, and ethics compliance audits.

Kaptein and Schwartz (2008: 118) provide one of the more useful models on code of conduct effectiveness, and this model will be reflected upon in Chapter 8 with relevance to the researcher's proposed model for effective codes of conduct.

Kaptein and Schwartz (2008: 118) suggest that to measure the effectiveness of existing codes of conduct, the following research model be utilised that takes into account internal and external factors influencing effectiveness.
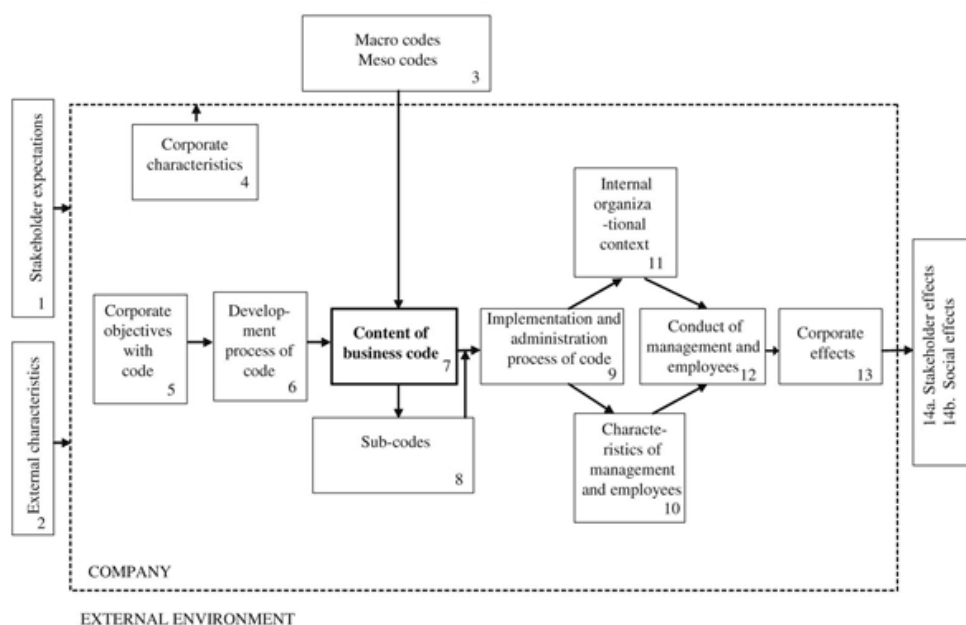
Figure 3: An integrated research model for the effectiveness of business codes

Source: Schwartz and Kaptein (2008: 118)

The research model depicted in Figure 3 takes into account the process of developing the code of conduct, the content of the code of conduct and the implementation of the code of conduct. The code furthermore takes into account the organisation's characteristics and environmental influences, which may have an impact on effectiveness, such as stakeholders' expectations and the existence of external codes, and organisational objectives, personal characteristics of employees, organisational structure and culture.

Kaptein and Schwartz (2008) contend that a code of conduct can have three levels of effectiveness: Micro-effectiveness – achieving the objectives of the organisation; meso-

effectiveness – achieving the objectives of stakeholders; and macro-effectiveness – cumulatively achieving the objectives of the organisation, stakeholders and broader society through the code of conduct.

Amir, Ariely and Mazar (2008: 642) explored the propensity of 'honest' people being dishonest, and found that in general when people had the opportunity to cheat, they would, although the level of dishonesty was low. Participants utilised various mechanisms, such as internal reward considerations, to justify their behaviour and retain a positive self-image. What was also found was that this level of dishonesty dropped when participants paid more attention to 'honesty standards'. The implication would be that the mere existence of a code of conduct within an organisation could decrease the individual's propensity to commit dishonesty.

Callaghan, Payan, Singh, Svensson and Wood (2012), in their analysis of codes of conduct content, suggested that code of conduct effectiveness could be improved through a stronger focus of codes of conduct in guiding strategy and employee support (ethics committees; ethics ombudsman; ethics training committee; staff training; whistleblower support), as well as regulating behaviour through business audits; sanctions for breach; and ethics performance appraisals. Singh (2011: 270) found that the participants viewed the "code as having a positive impact on organizational practices. It clearly has a positive impact on respondents' perceptions of ethics in their organizations".

The importance of the content of a code of conduct and the quality of the codes was highlighted in Erwin's research (2011: 543). In exploring the impact of code content and quality on ethical performance, The author found that organisations boasting quality code of conduct content were more represented on top corporate social responsibility rankings, and suggested that the quality of the code is instrumental in determining the effectiveness of the code of conduct and its ability to positively impact corporate culture.

A concern is that research into the effectiveness of codes of conduct has produced varied and sometimes conflicting results. Kaptein and Schwartz (2008) found a wide discrepancy in results of research conducted on the effectiveness of codes of conduct:

- 35% of research results indicated that codes of conduct are effective;

- 16% found a weak relationship between codes of conduct and effectiveness;

- 33% found no significant relationship between codes of conduct and effectiveness; and

- 14% generated mixed results.

 Kaptein and Schwarz (2008) suggested the following reasons for such varying results: Differing definitions of codes of conduct; differing definitions of the 'effectiveness' of codes of conduct; differing empirical basis with the smaller and less diversified empirical basis resulting in a greater fluctuation of results; and differing research methods.

This section has provided some insight into the relationship between codes of conduct and their effectiveness in improving the ethical climate of the organisation, though the concern is raised that codes of conduct are not always effective in this regard.

3.5 Conclusion

This chapter has explored the roles of codes of conduct in reducing misconduct by firstly identifying reasons for misconduct such as the lack of social constraints to inhibit unethical behaviour; benefits of unethical behaviour outweighing its costs; the organisation's hierarchical structure; organisational characteristics; operational processes; poor control mechanisms; unethical corporate culture; ineffective or corrupt leadership; job stress; employee performance and reward structures.

The benefits of codes of conduct were then discussed, such as providing guidelines and assisting employees in decision-making; ensuring leadership provides the necessary example and support for code of conduct provisions; improving organisational ethical culture; ensuring the organisation is accountable towards stakeholders; pre-empting regulatory intervention; enhancing the organisation's reputation; and contributing to performance of the organisation.

The various types of codes of conduct influencing the organisation were detailed, from the supra-organisational codes of conduct such as industry, professional and global codes of conduct, to sub-organisational codes of conduct, such as supplier and director codes of conduct, and an array of policy documents. Special mention was made of the various global codes of conduct that were taken into account by multinational organisations.

Structural decisions of codes of conduct, especially the choice between aspirational and directional codes of conduct, and content options were elaborated upon and the choice of the codex developed by Bettcher et al. (2005) as a framework used for participant organisations' code of conduct analysis was justified.

Critiques levelled at codes of conduct were evaluated and findings of some prior research into codes of conduct debated while offering counter-arguments and suggestions supporting the use of codes of conduct by organisations. Special mention was made of multinational organisations operating in developing nations and the importance for them to ensure their codes of conduct protected the communities in which they operate.

The reason for a code of conduct was then motivated from the perspective that there are still high levels of ethical misconduct in the corporate world and that they were costly to the organisation and detracted from the organisation's value, while ethical behaviour improved long term performance, profitability and value – emphasising the role that the code of conduct may play in this regard.

The relationship between codes of conduct and their effectiveness was then examined, with prior research indicating that codes of conduct could have a positive impact on the organisation on a number of levels. However, the fact the many results of research studies were inconclusive with regard to codes of conduct effectiveness, suggests that further research into code of conduct effectiveness is justified.

This next chapter will develop on this theory in exploring what factors can have an impact on code of conduct effectiveness – using the nine guiding questions as the framework for analysing the factors.

CHAPTER 4: ANALYSIS OF FACTORS IMPACTING ON CODES OF CONDUCT EFFECTIVENESS

This chapter serves to explore the guiding questions as factors that could influence the effectiveness of codes of conduct. To re-cap, the nine guiding questions asked how can a code of conduct be aligned with strategic objectives to be effective; how can the development and revision of the code of conduct enhance the effectiveness of the code of conduct; how can the content of the code of conduct enhance the effectiveness of the code of conduct; what formal methods of code of conduct implementation enhance a code of conduct's effectiveness; what informal methods of code of conduct implementation enhance a code of conduct's effectiveness; what impact do individuals' characteristics have on the effectiveness of a code of conduct; what impact do organisational dynamics have on the effectiveness of a code of conduct; what impact do industry dynamics have on the effectiveness of a code of conduct; and what impact do political, economic, social, technological, legal and environmental factors have on the effectiveness of a code of conduct?

In Chapter 7 a range of consequences of code of conduct effectiveness will be detailed that arose from the research. In order to contextualise the term 'effectiveness', these are summarised as the following: the furtherance of strategic objectives of the organisation; relevance of the content of the code of conduct; the ability of the code of conduct to assist employees in making ethical decisions; the ability of the code of conduct to encourage disclosure of misconduct and to discourage misconduct; ability of the code of conduct to promote an ethical culture; and the ability of the code of conduct to further good corporate governance.

This review discusses existing theory, research and knowledge on factors such as the alignment of the code of conduct with strategic objectives; the development and revision process of codes of conduct; the content of codes of conduct; formal and informal implementation programmes; and the influence of individuals, the organisational, industry and external environment context, and how they could affect code of conduct effectiveness.

4.1 Alignment of codes of conduct objectives with strategic objectives

In order to determine the effectiveness of a code of conduct, it is critical to determine the objectives of an organisation's code of conduct. Effectiveness can then be determined in terms of whether these objectives have been met.

Furthermore, one can also assume that a code of conduct will be more effective if its objectives are aligned with the strategic objectives of the organisation. It can also be suggested that one of the strategic objectives of an organisation should be that of impeccable business ethics. A code of conduct will be unlikely to be successful in enhancing the organisation's business ethics, if the organisation does not perceive ethics as a critical component of its overall strategy.

This section will explore the failure of organisations to ensure their codes' of conduct are of strategic importance and how this is changing with a greater number of organisations recognising the importance of business ethics and codes of conduct as a strategic imperative. It will also provide an understanding of strategic planning and the importance of business ethics and codes of conduct to strategic planning.

A number of terms are mentioned below, such as 'institutionalising' or 'embedding' ethics within organisations. This refers to the integration of ethics in the organisation, including the code of conduct, resulting in the code of conduct becoming a 'living document' that is used in day-to-day business decisions and operational processes of the organisation. It could be argued that in order for this to happen, the code of conduct needs to be aligned to strategic objectives, and reciprocally, needs to be recognised as a strategic document necessary to further the same objectives.

Some researchers point out that often business ethics and codes of conduct are not regarded as strategic to the organisation. Callaghan et al. (2012: 22) in their comparative analysis of codes of conduct in the United States, Canada and Australia, countries that have a high level of code of conduct adoption and ethical business programmes in place, found that some organisations failed to use the codes of conduct in guiding strategic planning – "it is perplexing that companies that appear to support other measures of code inculcation in their organisations seem remiss to enshrine their code as a guide to strategic planning". Their view was that the best way to institutionalise ethical business practices was to use the code of conduct in strategic planning.

There do seem to be some indications that business ethics and codes of conduct are, however, becoming more strategically important. Singh (2011: 262) conducted research into the trend of Canadian companies in adopting ethics programmes and the increase of ethics seen as strategic to the company. Citing the increased involvement of boards of directors in developing codes of conduct, from 63% in 2002 to 76.7% in 2006, they advocated that business ethics can increasingly be seen as strategically important.

Singh (2011: 271 - 272) further studied aspects of ethics programmes to determine whether implementation of ethics strategy was taking place. Between 2002 and 2006, firms sporting ethics committees increased from 37% to 55.3%; ethics training rose from 44% to 57.3%; employment of an ombudsman rose from 53% to 64%; conducting of ethics audits increased from 39% to 54.4%; and provision of whistleblowing guidelines rose from 47% to 89%. All these improvements highlighted the importance firms placed on ethics implementation programmes.

Yet what role do business ethics and by their very nature codes of conduct, play in strategic management? A number of researchers address business ethics and codes of conduct from a strategic perspective – some of these viewpoints will be discussed.

Dess, Lumpkin and Taylor (2004: 274) contended that implementing strategy required strategic control. In turn, strategic control comprised three elements, namely culture, rewards and boundaries. They defined organisational culture as a "system of shared values (what is important) and beliefs (how things work) that shape a company's people, organisational structures, and control systems to produce behavioural norms (the ways we do things around here)". They also emphasised the role that boundaries played in minimising improper and unethical behaviour, and instead focused on strategic priorities.

Thus, strategic success depends on effective implementation, and effective implementation requires the correct corporate culture with shared values and boundaries of acceptable behaviour. The corporate culture needs to have a strong ethical basis, failing which ethical crises are likely to result in reputational damage and direct financial loss.

Grant (2005: 22) as well as Dess et al. (2004) referred to the importance of maintaining a competitive advantage in order to achieve strategic success. Dess et al. (2004: 345) emphasised that "merely adhering to the minimum regulatory standards may not be enough to remain competitive in a world that is becoming more socially conscious". Strong ethical values could be a strong driving force for an ethical organisation. These values could guide the search for competitive advantages, development of organisational systems, and assist in

the decision-making process. An ethical organisation, in their view, required the following interrelated elements: role models; corporate credos and codes of conduct; reward and evaluation systems; and policies and procedures.

The task of embedding ethics into an organisation was termed 'institutionalising' ethics by Rossouw and Van Vuuren (2010). They posited that institutionalising ethics required three levels, namely on a strategic level; a systems level; and on an operational level. On a strategic level, Rossouw and Van Vuuren (2010: 249) contended that ethical organisations have a vision of ethics. To institutionalise ethics, this vision needs to be inculcated into the organisation, thus creating an ethical culture. Rossouw (2007: 387) discussed the importance of developing ethical managerial competence in ethics training programmes and the fact that "learners have to develop insight into the strategic importance of ethics in organisations".

Murphy (1988: 914) discussed how ethics should pervade all aspects of an organisation if the organisation wished to implement a business ethics strategy, and, similarly, organisations could implement their business strategies ethically. Bart (2011: 5) highlighted the strategic importance of ethical behaviour: "Without the ethical behaviours which promote trust, it will be exceedingly difficult for any organisation to accomplish anything – lets alone, its organisational strategy".

Bonn and Fisher (2005: 730 - 736) explored corporate governance and business ethics from a strategic perspective. They suggested that in order to support an ethical organisation, the organisation should have ongoing strategic planning with medium and long term business ethic's goals and be integrated throughout the organisation through communication and cooperation. They also advocated boards of directors evaluating their own behaviour towards ethical issues and taking cognisance of ethics when making strategic decisions. With regards to the code of conduct, they detailed how boards of directors should ensure adequate training on the code of conduct takes place and provide the infrastructure and processes to support ethical behaviour.

From the above discussion it seems indicative that codes of conduct should be aligned with strategic objectives of the organisation for them to be truly effective. The next section discusses the development and revision process and how carefully planned and orchestrated development and revision of codes of conduct could influence their effectiveness.

4.2 The influence of the code of conduct development or revision process on its effectiveness

In order for a code of conduct to be effective it needs to be carefully developed and continually revised taking into account the constantly changing context within the organisation and its relationship with the external environment. The development and revision process needs to be carefully thought out necessitating an evaluation of key values; consultation with a wide array of members of the organisation on multiple levels; support and determination of the chief executive officer and leadership; key decisions need to be made in terms of the code of conduct's tone, readability, positive versus negative and directional versus aspirational focus, and non-binding versus compulsory compliance; identification of risk topics and stakeholders; planning of reporting mechanisms and protection of whistleblowers; and integration of the code of conduct into the organisation. These factors were evaluated in this research and are covered in more detail in Chapters 7 and 8.

This section reviews past research on the development and revision of codes of conduct. It details the rationale behind code of conduct adoption or revision; specifies some of the decisions that need to be made during the development or revision of the code as conduct, such as the process that will be followed, importance content decision such as the tone and values, and how the code of conduct will be implemented; the necessity for wide consultation; and the role of executive management in the development process.

Kaptein and Wempe (1998: 855 - 857) discussed certain motivating influences that challenged the organisation to reflect on its implicit codes (norms and values) and motivated the organisation to develop explicit codes or revise their existing code of conduct. The influences range from the inability of the existing norms and values to guide employees in ethical decision-making; they could be contradictory or display inconsistencies within the organisation; there could have been external criticism of the organisation's ethical behaviour; as well as internal criticism from within the organisation. In addition to these factors, regulatory requirements and best practice expectations could also pressurise organisations to adopt codes of conduct.

Painter-Morland (2010: 277) emphasised the need to continually question a code of ethics in order for an organisation to be responsive to a changing environment. She suggested organisations could ask the following types of questions:

- How did the organisation get to its current status, what was sacrificed in the process, and what are the organisations responsibilities in this regard?

- Who does the organisation have a relationship with and how can the organisation be more responsive to them?

- Who does the organisation impact in broader society and do decisions perpetuate inequalities or exclusions?

- Where does the organisation wish to be in the future?

- What values should be prioritised and how can these be incorporated into everyday decision-making?

- What impact does our risk making decisions have on others?

Murphy (1988: 914) echoed the importance of periodically revising a code in order for it to be relevant to current ethical issues faced by the organisation, and ensure it was a 'living document'.

Certain decisions need to be made when developing or revising a code of conduct. Kaptein and Wempe (1998: 857 – 860) asserted that an organisation had 12 dilemmas, which they termed the Gordian Knots, which needed to be resolved when developing a code of conduct. The 12 dilemmas were categorised into three types of dilemmas, the first relating to the process of developing a code of conduct (Gordian Knot 1); the second referred to dilemmas in determining the content of the code of conduct (Gordian Knot 2-9); and the third related to dilemmas when introducing and maintaining the code of conduct (Gordian Knot's 10-12). The 12 dilemmas highlighted the importance of a well thought out and consultative process when developing codes of conduct.

While the content of codes of conduct are covered in more detail in section 4.3, certain important content decisions need to be made during the development and revision process, such as the tone of the code of conduct; whether it should be rules or values based; and the level of detail it should include. In terms of content, Painter-Morland (2006) suggested that the values of the organisation be determined when developing or revising a code of conduct – these values should take into account the broader context in which the organisation functioned. For a multinational organisation, these values, as espoused in the code of conduct, must have significance across cultures, religions, corporate hierarchies and individuals' morals.

Corpedia Inc. developed best practice guidelines in developing or revising a code of conduct (Best Practices in Code of Conduct Development, 2011). The planning process was

highlighted and included the following decisions that needed to be made: the selection of stakeholders who will be involved in the development of the code of conduct; the proposed timeline and allocation of resources; and the theme and layout of the code from a design perspective.

Robinson (2008: 82) also stressed the importance of a consultative process, reasoning that such a process ensured a relevant code of conduct. Painter-Morland (2006: 354) emphatically supported a consultative approach with stakeholders when developing codes of conduct cautioning that "Codes…that reflect no insight into contextual challenges are indicative of a broad area of concern, i.e. a lack of integrity in the organisation's functioning".

A concern was raised by Singh (2011: 263) who found a lower level of involvement in the development of the code of conduct by employees further down the hierarchical structure. Singh (2011) found this to be contrary to the principles of broad involvement by the organisation's stakeholders in the code of conduct development, which could result in a lack of relevance to all employees. Weller (1988: 391) hypothesised that a code of conduct would be more effective when middle management was involved in the development of the code of conduct and when representatives of all levels of the organisation were involved in the development of the code of conduct. However, a code of conduct developed by a large number of people was less effective than a code developed by representatives of all levels of the organisation.

Manley (1991: 17) emphasised the important role of executive management in the development and revision of a code of conduct. In the author's view the chief executive officer must be a leader in the code's development and should identify the firm's key objectives of the code of conduct. Corpedia, Inc. (Best Practices in Code of Conduct Development, 2011) similarly recommended that the support of the code of conduct development process by the executive team should be clearly communicated. Felo (2007: 9 - 10) found that board involvement was needed in the development, implementation and revision of codes of conduct to improve internal control within the organisation and disclosure transparency.

Development and revision of the code of conduct would necessitate a determination of topics that had to be incorporated in the code of conduct. The next section will explore the actual content of codes of conduct.

4.3 The influence of content of the code of conduct on its effectiveness

In Chapter 3, the researcher reviewed existing knowledge on the typology of codes of conduct, and covered many aspects of how the content of codes could impact their effectiveness. It makes logical sense that the content of the codes of conduct would be more effective if properly drafted to cover relevant areas of concern, were understandable, and were easy to apply.

This section explores common principles, provisions and content that are generally found in codes of conduct based on prior research by a range of researchers. The researcher will justify the use of the codex developed by Bettcher et al. (2005) in the analysis of participating organisation's codes of conduct as a useful benchmarking framework that contains most of these common provisions and content. It will then reflect on past research on the impact of code of conduct provisions on the effectiveness of codes of conduct.

Common principles found in the literature on content of codes of conduct that impacted their effectiveness were the following: the decision between aspirational versus directional codes of conduct; the ease with which individuals recall the code of conduct and were able to apply this to their decision-making; the facilitation of ethical decisions in the face of uncertainty; the scope of the code of conduct in covering areas of concern; the ease of enforcement of the provisions of the code of conduct; and the specification of sanctions to dissuade misconduct.

The contents of codes of conduct vary significantly between organisations, with past research providing a range of content provisions to consider that could impact code of conduct effectiveness. These include the rationale for the code that details why the code of conduct was developed (Rossouw and Van Vuuren, 2010: 243 – 244); ethical values, principles or standards (Rossouw and Van Vuuren, 2010: 243 – 244; Trevino and Weaver, 1999: 321 – 323; KPMG Business Codes of the Global 200, 2008: 3; Bettcher et al., 2005: 125 – 131; Kaptein, 2004: 19 - 24); the responsibility that members of the organisation have towards stakeholders (KPMG Business Codes of the Global 200, 2008: 3; Bettcher et al., 2005: 125 – 131; Kaptein 2004: 19 – 24; Singh, 2006: 21); guidelines for ethical conduct (Rossouw and Van Vuuren, 2010: 243 – 244; KPMG Business Codes of the Global 200, 2008: 3); guidelines for ethical decision-making (Rossouw and Van Vuuren, 2010: 243 – 244; KPMG Business Codes of the Global 200, 2008: 3); access to assistance in the form of ethics helpdesks, ethics offices, or other mechanisms that could help users in ethical decision-making or provide reporting assistance (Trevino and Weaver, 1999: 319);

specification of reporting mechanisms (Trevino and Weaver, 1999: 319; Bettcher et al., 2005: 125 - 131); the provision of additional codes of conduct for suppliers or other stakeholders; references to other policies and documents (environmental; corporate social responsibility, purchasing, ethical sourcing; gifts; and other policies) that provide more information or guidance on expected behaviour (Rossouw and Van Vuuren, 2010: 243 – 244; Preuss, 2010: 475); reference to statutory compliance (Bettcher et al., 2005: 125 – 131; Kaptein 2004: 19 – 24; Singh, 2006: 22); and references to professional, industry and global codes of conduct.

The codex developed by Bettcher et al. (2005: 125 – 131) will serve as the basis for the analysis of participating organisations' codes of conduct. The codex was chosen for this purpose due to its benchmarking value and the ease of its categorisation of the content of codes of conduct into eight principles that were sub-categorised into responsibility allocations and standards required. The principles detailed were fiduciary; property; reliability; transparency; dignity; fairness; citizenship; and responsiveness principles – and covered most content contained generally in codes of conduct. The analysis of the codes of conduct against the codex principles is contained in Tables 3.2 – 3.9 of Appendix 3. Other types of code of conduct categorisation include that of Kaptein (2004: 19 – 24) who distinguished broad categories contained in codes of conduct such as stakeholder responsibilities; stakeholder principles; core values; employees conduct towards the organisation; and implementation. Similarly Singh (2006: 21 – 23) categorised content of codes into conduct on behalf of a firm; conduct against the firm; integrity of books and records; legal and ethical responsibility.

Common topics in code content identified were the following: specification of the organisation's mission and values (KPMG Business Codes of the Global 200, 2008: 3); reference to statutory compliance (Preuss, 2010: 478; Singh, 2006: 22); fairness, openness and avoidance of discrimination (Preuss, 2010: 478; Bettcher et al., 2005: 125 – 131; Madden and O'Dwyer, 2006: 225); environmental protection (Preuss, 2010: 478; Kaptein, 2004: 19 – 24; Singh, 2006: 21); producing safe and quality goods at good value to customers (Kaptein 2004: 19 – 24; Singh, 2006: 21); adherence to health and safety standards (Preuss, 2010: 478; Bettcher et al., 2005: 125 – 131; Kaptein, 2004: 19 – 24; Madden and O'Dwyer, 2006: 224-225; Singh, 2006: 22); respect for the organisation's confidential information and respecting the privacy of employees, customers and stakeholders (KPMG Business Codes of the Global 200, 2008: 3; Bettcher et al., 2005: 125 – 131; Kaptein 2004: 19 – 24; Madden and O'Dwyer, 2006: 224-225; Singh, 2006: 22); accurate financial reporting (KPMG Business Codes of the Global 200, 2008: 3; Bettcher et

al., 2005: 125 – 131; Singh, 2006: 23); the protection of the organisations property; (KPMG Business Codes of the Global 200, 2008: 3; Bettcher et al., 2005: 125 – 131; Kaptein, 2004: 19 – 24; Madden and O'Dwyer, 2006: 224 - 225); gifts and entertainment (KPMG Business Codes of the Global 200, 2008: 3); human rights adherence (Preuss, 2010: 478; Bettcher et al., 2005: 125 - 131); the organisational respect for individuals' right to freedom of association and collective bargaining (Preuss, 2010: 478; Bettcher et al., 2005: 125 – 131); local community support (Preuss, 2010: 478); the organisation's remuneration policy; remuneration policy (Preuss, 2010: 478); avoidance of bribery and corruption (Bettcher et al., 2005: 125 – 131; Singh, 2006: 21); avoidance of unfair competition (Kaptein, 2004: 19 - 24); political non-involvement (Bettcher et al., 2005: 125 – 131; Singh, 2006: 21); industry relevant provisions; and sanctions (Preuss, 2010: 478; Singh, 2006: 23).

The researcher again justifies the use of the codex in analysing participant codes of conduct as the codex includes most of these common themes. For example, the property principle requires members of the organisation to protect company assets and refrain from theft; the transparency principle requires the disclosure of relevant financial and non-financial information and requires the provision of health and safety information to customers; the dignity principle requires the organisation and its members to respect the human rights of others and protect employees in the workplace; the fairness principle requires free and fair competition; and the citizenship principle condones bribery and corruption.

In terms of effectiveness, Erwin (2011: 543) found a strong relationship between the quality of content of a code of conduct and its effectiveness in positively influencing corporate culture. Quality of codes of conduct were determined by public availability of the code of conduct; visible leadership commitment; ease of readability; commitment to non- retaliation when reporting contraventions of the code's provisions; commitment to stakeholders; coverage of risk topics; provision of guidelines; and presentation style. The author intuitively suggests that companies who dedicate time and resources to their codes of conduct ensure that their codes of conduct are aligned with their values resulting in them having a greater influence on ethical behaviour.

Schwartz (2004: 323; 328 – 332) found that the content and process of code of conduct implementation had differing degrees of effectiveness reflected in the perception of employees, managers and ethics officers towards their code of conduct effectiveness in influencing ethical behaviour. In terms of effective provisions, Schwartz found the provision of examples; readability; tone; relevance; realism; and reporting requirements were relevant. A factor that had the potential to positively impact on effectiveness was the justification for

provisions in the code of conduct while a factor found to be ineffective were objectives for the code.

Having a well-drafted code of conduct will have little influence over members of an organisation's ethical behaviour if the code of conduct does not become embedded in the organisation as a strategic document. The next two sections explore the formal and informal implementation methods available to properly entrench the code of conduct in the organisation.

4.4 The influence of formal methods of code of conduct implementation on effectiveness

To ensure a code of conduct becomes a 'living' document within the organisation it requires an implementation strategy comprising formal and informal methods to embed the code of conduct within the organisation. The distinction between formal and informal implementation methods will be described before detailing the elements that can be utilised to effectively entrench the code of conduct in the organisation.

4.4.1 Formal versus informal implementation mechanisms

Adam and Rachman-Moore (2004: 228) provided a useful basis for describing formal and informal implementation mechanisms. Formal methods were detailed as factors such as education, training, enforcement and penalties, while informal methods included the ethical culture of the organisation and leadership influence on ethical behaviour. Formal implementation methods can be regarded as tools an organisation can utilise to implement the code of conduct, while informal methods are the facilitating environment necessary to implement a code of conduct. Adam and Rachman-Moore (2004) utilised a sample of 812 respondents in an Israeli subsidy of a multinational hi-tech corporation, and employee attitudes towards formal and informal methods of code of conduct implementation were measured. The research results (Adam and Rachman-Moore, 2004: 237 - 240) found that while formal methods of implementation were necessary, they were not sufficient. Ethical values of management were perceived to have the greatest influence on ethical decision-making by employees.

A similar study was undertaken by Jose and Thibodeaux (1999: 139 - 140), but from a manager's perception of formal and informal methods of institutionalising ethics in an organisation. They distinguished between implicit methods (reward system; performance evaluation; promotion system; corporate culture; senior management support; leadership

and open communication systems) and explicit methods (code of ethics; ethics training; newsletters; hotlines; officers; and committees). Their findings indicated that implicit methods were perceived to be much more important than explicit methods in inculcating ethics into an organisation.

Regarding formal implementation methods, Svensson and Wood (2011: 24) make a useful distinction between ethical structures, processes and performance when discussing business ethics programmes. Designated business ethics structures were codes of ethics; ethical audits; ethics ombudsmen; ethics committees; ethics education committees; and whistleblower support. Processes to support the structures were listed as ethical performance appraisals; staff education; aid in strategic planning; consequences of breach; communication of the code to employees, new employees, customers, suppliers and stakeholders; and revision of the code. Notably, one of the structures is the code of ethics that could be regarded as an imperative in business ethics programmes.

To these structures and processes, Rossouw and Van Vuuren (2010: 254 - 263) discuss institutionalising ethics on a systems level. The methods detailed can be compared with some of the formal implementation methods mentioned in this section, and include communication through awareness programmes; ethics talk; ethics helpdesk; a confidential reporting system; ethics newsletters; employee recruitment; employee selection; employee orientation; performance management and reward; employee training; disciplinary procedures; and monitoring and evaluation.

Formal methods of code of conduct implementation are varied. The methods available will be discussed in terms of their contribution towards the effective implementation of codes of conduct.

4.4.2 Management of ethics and code of conduct implementation

The development of an ethics management infrastructure is likely to support the implementation of a code of conduct. Rossouw and Van Vuuren (2010: 266 - 271) categorised the following role players in ethics management: The chief executive officer; the ethics sponsor; the ethics champion; the ethics committee; the ethics manager; and the line manager. The chief executive officer and board of directors, with the ethics champion and ethics sponsor provide the strategic impetus for ethics implementation through the establishment of the ethics committee and support the alignment of the code of conduct to the organisation's strategy. The ethics committee employs an ethics manager who

implements the ethics strategy and function, which is operationalised through the line managers throughout the organisation.

The role of leadership is covered later with reference to informal methods of code of conduct implementation. However, the creation of an ethics office and the employment of ethics officers could be an opportunity to facilitate ethics management that can support the effective implementation of a code of conduct. Rasberry (2000: 19) suggests that an ethics office "truly serves as the organizational conscience, gently reminding management and employees alike to remember their ethical compass". While the ethics office is not responsible for the company's mission and values statements, it is responsible with how the implementation of the ethics management programme reflects the organisation's strategic plan. The ethics manager manages the organisation's internal division to handle ethical issues including code of conduct issues, supported by ethics or compliance officers. Their role is to plan, coordinate, implement, control and monitor ethics related strategies.

The effective implementation of a code of conduct requires a high level of communication, education and training – possibly the most important tool in conveying the ethical message.

4.4.3 Communication, education and training

The necessity for communicating content and application of a code of conduct can take place through various measures such as access and exposure to the code of conduct as well as education and training on applying the code of conduct to everyday ethical decision-making.

Rossouw and Van Vuuren (2010: 255) advocate a two-way communication strategy to institutionalise ethics at a systems level. This encourages the organisation to communicate ethics issues to all stakeholders and through education and training ensuring all members of the organisation know and understand the code of conduct. At the same time, this two-way communication flow provides the organisation with information on what challenges there are for ethical decision-making and allows an opportunity to celebrate positive ethical decision-making.

The various interrelated methods of communicating, educating and training are detailed below:

Code of Conduct exposure

The KPMG Business Codes of the Global 200 (2008: 15) detail how 85% of companies have issued more than 95% of their staff with their code of conduct. Common ways in which these companies have introduced their staff to their codes are through the following means: Including the code with letters or email; separate intranet sites; including sections of the code in their in-house publications; making the code available in busy company locations; developing interactive instruments; special events; printing of the code or sections of the code on agendas, pay-slips or other innovative mediums; referring to the code in speeches or meetings.

Personnel policy was seen as a means to embed the code of conduct. This can be achieved in a number of ways such as discussing the code of conduct during job interviews, mentioning the code of conduct in job advertisements, providing the code of conduct in the applicant's information package, including the code of conduct in the employment contract, entrenching the code of conduct during the employee induction programme, and requiring signed confirmation from managers and employees of receipt of the code.

Awareness programmes

Rossouw and Van Vuuren (2010: 255) suggest that an ethics awareness programme can facilitate awareness of the code of conduct. Orientation sessions presented by management or ethics practitioners can deal with the importance of ethics, the necessity and value of the code of conduct, how to apply the code of conduct and implications for non-compliance. The additional benefit of such programmes is that it is an opportunity for management to further their ethical agenda, and an ideal forum for employees to participate in code of conduct revision, or launch new and revised codes of conduct. Other types of awareness mediums are poster campaigns, corporate clothing espousing ethical values, and various other marketing paraphernalia with similar messages.

Ethics talk

Ethics talk is a term coined by Rossouw and Van Vuuren (2010: 255) to reflect the encouragement of organisational members to talk openly and more frequently about ethical issues – thus creating a learning environment where members can talk freely of experiences and concerns. Management and ethics practitioners play a key role in encouraging ethics talk.

Ethics help desk

The ethics help desk is distinguished from a whistleblowing hotline and is normally an internal office where employees can call or email for guidance on interpreting the code of conduct or when employees find difficulty in making ethical decisions. Rossouw and Van Vuuren (2010: 256) suggest that the use of an ethics help desk does not necessarily reflect an ethics problem within the organisation; rather it is indicative of the level of ethical awareness within the organisation that encourages reflection when making ethical decisions.

The position of an ethics telephone line or help desk can also be viewed as an indicator of a values based approach to ethics management. Trevino and Weaver (1999: 321 and 330 - 331) provide the example that a help line in the legal department would signal to employees that the organisation has a compliance orientation, while a position in human resources may indicate a more values based orientation.

Ethics newsletters

Ethics issues can be published in ethics newsletters to maintain ethical awareness within the organisation (Rossouw and Van Vuuren, 2010: 257). These could be existing or stand-alone newsletters, either in printed or electronic format. These newsletters could contain ethics related news items, case studies and guidelines, and information on reporting mechanisms.

Education and training

Training on ethics, even in the absence of a code of conduct, can have a significant impact on the culture of an organisation by assisting employees making responsible decisions. Fleischman and Valentine (2004: 386 - 387) found that not only did ethical training programmes assist employees in making ethical decisions, but also went so far as to assist in institutionalising ethics within an organisation and creating an ethical culture. They further found that there was a resulting improvement in job satisfaction by respondents due to the perceived ethical context of the organisation. They proposed that top leadership should take an active role in ethics training programmes to promote the key ethical values of the organisation and to emphasise the importance of these values to the organisation.

The importance of training leadership in ethical decision-making is highlighted by Painter-Morland (2006: 273 - 276) who stressed the importance of congruency between the organisation's values and business decisions, many of which need a high level of

discretionary decision-making ability. Appropriate training to develop these skills is critical to ensure decision makers have the capacity to make these decisions

The purpose of offering training to managers and employees on the code of conduct should be to provide understanding of the importance of the code, to entrench the code in personal behaviour and to provide guidance on handling personal dilemmas, as suggested by the KPMG Business Codes of the Global 200 (2008).

The competencies that should be developed through ethics training, according to Rossouw (2007: 385-387), include cognitive competency, behavioural competency, and managerial competency. Cognitive competency refers to the ability of the individual to become aware of the ethical dimension; behavioural competency refers to the achievement of moral sensitivity and courage, while managerial competency refers to ethical leadership.

Stakeholder education

The stakeholder corporation advocated by Buchholtz and Carroll (2006, 86) reflect a symbiotic relationship between stakeholders and the organisation. With regards the code of conduct this could imply that stakeholders also be provided with information on the code of conduct and educated on how they can make use of the code of conduct in specific circumstances. Examples may include suppliers being made aware of their responsibilities in upholding labour standards in their manufacturing concerns; customers in terms of safety of products; and communities in terms of environmental practices.

Reporting

Reporting of misconduct should be encouraged and methods to report misconduct should be widely publicised. Anonymous whistleblowing hotlines are commonly advertised in organisations by means of posters, noticeboards and newsletters.

4.4.4 Recruitment, selection and performance appraisal

Employee recruitment, selection, and performance appraisal processes can assist organisations in employing those individuals that display a high ethical calibre and ensure promotion of individuals displaying high ethical standards. While certainly not a guarantee that individuals with questionable ethics will not be employed, these processes serve to help identify the individuals the organisation wishes to employ, retain, and promote to leadership positions. The three factors are discussed in detail below.

Recruitment and selection of employees

Rossouw and Van Vuuren (2010: 258) highlight the importance of aligned recruitment and selection of employees, and their correct induction into the organisation, at a systems level function in institutionalising ethics into the organisation. The recruitment process has to ensure that the correct applicant is attracted to the position – an applicant that shares the ethical values of the organisation. These values are often detailed in the job specification printed, which again reiterates the ethical standing of the organisation with stakeholders, and helps attract the talent required. The selection process needs to be appropriate to ensure that the correct individual is employed. Selection interviews can make use of critical element and simulation techniques to determine whether the applicant has the competency to make values aligned decisions. Reference checking is valuable, especially when the position is susceptible to fraud, provided it is conducted in accordance with privacy rights of the applicant. While psychometric testing for integrity may be controversial, it is a technique available to the employer. Simulation can also be conducted in assessment centres to determine ethical values.

Rossouw and Van Vuuren (2010: 260) also advise the proper induction of employees, where ethical values could be highlighted and entrenched at an early stage of employment. This is also an ideal period to expose and train the new employee in the code of conduct and its application. A socialisation process was suggested by Forshey, Gerard, Harding, Miller and Verbos (2007: 24) where individuals learn and adopt the organisation's values and belief system and where the living code of ethics is imparted to new employees. They suggest that socialisation can be a formal or informal process. Formal processes include orientation programmes that emphasise the organisation's stance on ethical issues. Training programmes reinforce the ethical message. Mentors act as role models and facilitate learning and pass on their experiences to less experienced employees.

Rewards

The influence that reward systems have on ethical behaviour was a topic of interest to Forshey et al. (2007: 24). They suggest that reward systems help shape behaviour with immediate and long term influence on the ethical context of the organisation. Reward systems need to be aligned with codes of conduct and leaders are encouraged to reflect on how the reward system entrenches decision-making rights and responsibilities.

Whether ethical behaviour was rewarded by organisations was a concern raised by Brown and Trevino (2004: 79). The authors suggest that not only is ethical behaviour often

unrewarded, but that unethical behaviour is often rewarded, for example achieving sales targets through unethical sales techniques.

Performance appraisal

The inclusion of ethical behaviour and adherence to codes of conduct into performance appraisals could further support code of conduct implementation. Rossouw and Van Vuuren (2010: 261) concur that ethics need to be part of employee performance appraisal, ideally as a separate key performance area, but at the very least, integrated into other key performance areas. Rewards based on performance would then also reward ethical behaviour. With regards to 360 degree performance evaluations, Brown and Trevino (2004: 79) also stress the importance of ethical accountability when conducting these evaluations, and of ensuring that the ethical dimension is taken into account when making income and promotion decisions for individuals.

4.4.5 Monitoring code of conduct compliance and contravention

Monitoring of code of conduct compliance and effectiveness is becoming more prevalent. The KPMG Business Codes of the Global 200 (2008) found that 88% of organisations with codes of conduct monitor compliance and many organisations report on compliance issues. The KPMG Business Codes of the Global 200 (2008: 24) suggest that the effectiveness of the code needs to be monitored through assessment of the corporate culture (possibly by means of surveys); assessing implementation elements, engaging with employees with regard to their perception of the code and their suggestions for improvement; determining any activities needed after implementation; analysing violations to determine areas where implementation can be improved; requiring feedback from the ethics office; conducting periodic risk assessment; and determining key performance indicators for the effectiveness of the code.

Auditing could provide a mechanism to assess the success of a code of conduct in reducing misconduct; however, auditing codes of conduct can be problematic. Martin (2010: 154) suggests that codes of conduct are not designed to be auditable, but rather detail high level principles of fairness and responsibility. The author criticises the following typical type of audit for failing to determine whether codes are embedded within an organisation, namely audits that count the number of people who have received a code of conduct; count the number of people who have received training on a code of conduct; count the number of people who have signed a code of conduct confirming their adherence to the principles

espoused; and counting the number of violations reported through their whistleblowing mechanisms.

Martin (2010: 154) suggests that a better approach would be to first unpack the code of conduct to determine the underlying principles and required business practices. Secondly, mechanisms to audit these practices must be developed.

4.4.6 Whistleblowing mechanisms

While mention has been made of whistleblowing mechanisms in terms of communication, whistleblowing mechanisms is specifically mentioned again as a crucial element of formal code of conduct implementation.

They provide members of the organisation and their stakeholders with an opportunity to disclose ethical breaches and provide an organisation with an opportunity to deal with ethical breaches before they reach the public domain, thus averting possible corporate scandals (Rossouw and Van Vuuren, 2010: 257). Whistleblowing can either be an internal division within an organisation, or it can be outsourced to provide it with more anonymity for the reporting individual who may fear victimisation. An ethics ombudsman supports the whistleblowing function by providing an independent individual that can be approached by employees and others to address concerns they may have and serves to protect whistleblowers.

4.4.7 Penalties

Penalties for contravention of codes of conduct include disciplinary action such as dismissal as well as criminal sanction for fraud and other types of illegal behaviour. Penalties are sometimes detailed in the code of conduct itself to add impetus to the severity of contravening provisions of the code of conduct. The KPMG Business Codes of the Global 200 (2008) found that most of the organisations in the Global 200 had a policy to deal with managers and employees contravening the code of conduct.

4.4.8 Multinational organisations – implementation of codes of conduct throughout global value chains

It is common practice for large multinational organisations to incorporate code provisions that detail the minimum ethical standards required of suppliers. They can even develop a separate code of conduct that suppliers will need to conform to in order to remain a supplier to the organisation. Standards often incorporated include labour standards, human rights

provisions, bribery, and corruption in their countries, and the interaction between the organisation's employees and the supplier.

4.4.9 Summary of formal methods of code of conduct implementation

These formal implementation mechanisms to support code of conduct effectiveness are numerous and complex in nature. This section has served to clarify the concepts of formal and informal implementation mechanisms, and provides a comprehensive list of implementation methods available to organisations to properly implement their codes of conduct, such as the development of an ethics management infrastructure; communication, education and training on the code of conduct and ethical decision-making; incorporating the code of conduct into the recruitment, selection and performance appraisal of employees; monitoring adherence to the code of conduct; ensuring whistleblowing mechanisms are in place; providing penalties for contravention of the code of conduct's provisions; and utilising the code of conduct in global value chains.

Informal code of conduct implementation will serve as the next topic for discussion.

4.5 The influence of informal methods of code of conduct implementation on effectiveness

Informal methods of code of conduct implementation that enhance effectiveness are less tangible in nature, yet potentially have a greater influence on its effectiveness (Adam and Rachman-Moore, 2004: 242). The ethical culture of the organisation and its leadership are the key informal influencers over code of conduct effectiveness. Ethical culture and leadership are common themes throughout this document and this section serves to provide some further insights into these factors and how they could support code of conduct effectiveness.

The ethical culture and leadership are reciprocal and interdependent in nature and "leaders can shape the ethical culture of an organisation, but they can also be shaped or sanctioned by the existing ethical culture" (Rossouw and Van Vuuren, 2010: 187). The researcher contends that there is also a reciprocal and interdependent relationship between effective codes of conduct and the organisation's ethical culture and leadership – the ethical culture and leadership supports the success of a code of conduct, while the code of conduct can promote the ethical culture and leadership of an organisation.

4.5.1 Ethical culture

Corporate culture can be compared to the culture of a society or nation, and as De George (2006: 208) explains, corporate culture "includes the ambiance of the corporation, its values, beliefs, and practices; the relation of the people within the corporation to one another, and their feelings toward the firm; the history of the corporation; and the extent to which the present members identify with the history and tradition of the corporation in the past and present". Corporate culture takes time to develop and cannot easily be changed. The fundamental ethical element of an organisational culture is similarly entrenched in the history, values, practices, and identification of members with the ethical tone of the organisation.

There are different ways of understanding and analysing corporate cultures. One approach is the Corporate Ethics Virtues Model that Kaptein (2008: 924 - 927) developed as a test to measure the ethical culture of organisations. For an ethical culture to exist, The author postulated that the organisation has to display seven virtues: the virtue of clarity where the expectations that the organisation has towards employees' ethical behaviour are clear, concise and understandable; the virtue of congruency between management/supervisory behaviour and the expectations that the organisation has towards its employees; the virtue of feasibility where ethical behaviour is feasible and employees are not placed under extreme time and budgetary pressure, or lack the necessary equipment or information needed to perform their duties, or do not have authority to complete their tasks; the virtue of supportability where employees are taken seriously and do not operate within a hostile working environment; the virtue of transparency where employees are made aware of the consequences of their behaviour; the virtue of discussability allowing openness towards discussion and communication around ethical issues; and the virtue of sanctionability where ethical behaviour is rewarded and unethical behaviour sanctioned.

For Rossouw and Van Vuuren (2010: 293), an ethical organisational culture signifies that ethical values are "seamlessly integrated into organisational philosophies, practices and behaviour. In such organisations ethics is an integral and natural part of the organisational culture". A 'deep' ethical culture – where ethics are spoken about and lived by all organisational members – is a concept Rossouw and Van Vuuren (2010) describe. In such a culture behaviour is guided by entrenched tales, traditions and taboos that further responsibility, accountability, fairness and transparency. This culture is evolved over many years and is entrenched within the organisation.

The roles that codes of conduct can play in enhancing an ethical culture are suggested by Rossouw and Van Vuuren (2010) and Kaye (1996). Rossouw and Van Vuuren (2010) suggest that long term change management is required when there is an absence of an ethical culture and unethical norms pervade. They make a number of recommendations in this regard including aligning codes of conduct with ethics management structures and the organisation's 'tales', 'traditions', and 'taboos'. Kaye (1996: 10) highlights the role that a code of conduct can play in educating the corporate culture. The code of conduct can be used as a point of reference, providing the rationale and justification for the symbolic and narrative nature of the organisation's culture.

4.5.2 Leadership

Leadership theory is a vast topic of research and discussion. This section will provide an understanding of the meaning of leadership; the characteristics of effective leaders; factors that influence leader's effectiveness; it will detail the responsibilities of ethical leadership in promoting an ethical culture, opposing unethical behaviour, and ensuring organisational sustainability; as well as provide an understanding of the role the code of conduct plays in leadership decision-making.

Leadership is defined by Yukl (2006: 8) as follows: "Leadership is the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives". Measuring leadership effectiveness depends on what perspective is taken. Leadership effectiveness could be measured in terms of achieving the goals of the organisation, the relationship between followers and leaders, or some other single or multiple variable of measurement.

Yukl (2006: 12) lists the key characteristics influencing leadership as those of the leader, those of the follower, and the specifics of the situation. Leader characteristics include their traits; confidence and optimism; skills and expertise; behaviour; integrity and ethics; influence tactics; and attributions about followers. Follower characteristics comprise traits; confidence and optimism; skills and expertise; attributions about the leader; trust in the leader; task commitment and effort; and satisfaction with their job and leader. Situational influences include the type of organisational unit; size of the unit; position power and authority of leaders; task structure and complexity; task interdependence; environmental uncertainty; and external dependencies.

How effective leaders are is determined by certain specific traits: high energy levels and stress tolerance; self-confidence; internal locus of control orientation; emotional stability and maturity; personal integrity; social power motivation; achievement motivation; and a low need for affiliation (Yukl, 2006: 189). Yukl (2006: 198 – 200) suggests three key managerial skills for effectiveness: technical, conceptual and interpersonal skills. Competencies required are a high level of emotional intelligence; social intelligence; systems thinking (understanding the complexity of organisations) and the ability to learn.

From an ethical leadership perspective, Yukl (2006: 425) makes the following observations. Firstly ethical leadership should promote an ethical culture: "set an example of ethical behaviour in your own actions; facilitate the development and dissemination of a code of ethical conduct; initiate discussions with followers or colleagues about ethics and integrity; recognise and reward ethical behaviour by others; take personal risks to advocate moral solutions to problems; help others find fair and ethical solutions to conflicts; and initiate support services". Leaders should also actively oppose unethical practices by refusing to accept or benefit from unethical activities; discourage unethical behaviour; publicly speak out against unethical behaviour; redress unethical decisions; inform relevant authorities; and assist individuals who report misconduct.

From a sustainability perspective, Rossouw and Van Vuuren (2010: 290) suggest ethical leadership responsibilities are much wider than detailed by Yukl (2006). Rossouw and Van Vuuren (2010: 290) suggest leadership is accountable for ensuring a sustainable strategy by organisations, requiring responsible leadership in developing organisations that are in themselves sustainable, and that further a just society and global sustainability. Leaders are required to make complex decisions taking into account positive and negative ramifications of such decisions on immediate and future sustainability. This requires leaders to have an ethical disposition and to carefully reflect on the impact such decisions have on all stakeholders, before making decisions.

The role that codes of conduct play in leadership decision-making was addressed by Cochran, Harrison, Steensma and Stevens (2005: 183 - 197). They raise the concern that while executives may adopt a code of conduct, this may not necessarily translate into them utilising the code of conduct in their decision-making. They suggest that the following factors influence their use of the code of conduct in their decision-making: The pressure they are under from various stakeholders to utilise the code of conduct; the perceived benefits they believe would accrue from utilising the code of conduct; and the level of training they receive on the code of conduct and how to use the codes to make ethical business decisions.

With regard to benefits, Cochran et al. (2005) submit that executives could perceive codes of conduct to have a positive influence in engendering an ethical culture and reducing unethical behaviour through providing guidance on solving ethical dilemmas. Another potential advantage would be the reputational benefit of utilising the code of conduct that could improve the image of the organisation – this could in turn result in a competitive advantage that could attract customers, preferred suppliers and investors. They contend that training of executives could help executives better understand the provisions of the code of conduct and how to apply the code of conduct in various business contexts. This would engender familiarity leaders have with the code of conduct, which Chonko, Loe and Wotruba (2001: 63) accurately hypothesised was positively related to the usefulness of a code of conduct by leaders. They found that the mere existence of a code of conduct was insufficient to affect behaviour – some level of familiarity was needed by managers to ensure the code of conduct became a tool in guiding their behaviour.

The discussion so far has related to the code of conduct and its implementation. However, there are individual decision-making characteristics, the organisational context, industry factors, and the external environment, which can potentially influence the effectiveness of a code of conduct. These will be discussed in the next four sections of this chapter.

4.6 The influence of individual characteristics on code of conduct effectiveness

The effectiveness of a code of conduct is also influenced by the individual characteristics of employees within the organisation. This section will explore the influencing factors on individuals' ethical decision-making ability; discuss Kohlberg's model of cognitive moral development (Kohlberg, 1969) to explain the ability of individuals to make ethical decisions; highlight the role that 'ethical blindness', 'moral imagination' and 'mindfulness' have on ethical decision-making; the influence of the organisational context including the ethical culture of the organisation on individuals' decision-making; the importance of the recruitment process in appointing employees with shared values to the organisation; and finally, the role of the code of conduct in positively influencing individuals' ethical decision-making capabilities.

The ability of the individual to make the correct ethical decision is influenced by their level of moral development; cognition; demographics; personal values; personal goals; emotions; mindfulness; religious values; philosophical values; cultural values; society's moral climate; nationality; legal values; professional values; one's personal situation; financial needs; and

conflict faced (Carroll and Buchholtz, 2006: 199 – 201 and 228). Clarification of some of these concepts is detailed below.

In reference to the stage of cognitive moral development, Trevino (1986: 605) refers to Kohlberg's model of cognitive moral development (Kohlberg, 1969). Kohlberg's model describes six stages of cognitive moral development. In stages one and two at the preconventional level, the individual responds to rewards and punishment in making ethical decisions. In stage three and four at the conventional level, the individual makes decisions based on expectations of broader society of what is ethical and what is not. At stages five and six of the principled levels, ethical values are based on universal values. Cognitive moral development, according to Trevino (1986), can be developed through training interventions.

Additional individual variables that can have an influence on ethical decision-making are ego strength, field dependence and locus of control. Ego strength refers to the individual's self-regulating ability – the strength of their conviction of what is right and what is wrong. An individual with a high level of ego strength is more likely to act in accordance with what they believe is right. Field dependence refers to the ability of the individual to act with autonomy. A field dependent individual is likely to refer to external influences rather than making a decision based on their own convictions, and Trevino (1986) posits that the field independent manager will display more consistency between moral judgement and action. The locus of control is the individual's perception of his or her influence over events. An individual with an internal local of control is more likely to believe his or her actions will determine events, while those with an external locus of control, are likely to believe they cannot influence a situation.

Certain concepts provide an improved understanding of ethical decision-making by the individual and will discussed in more detail - namely moral imagination, ethical blindness, mindfulness and emotions.

Moral imagination refers to the ability to not only be ethically aware when making ethical decisions, but the ability to conceptualise interrelationships in order to determine possible negative consequences. This was a concept discussed by Carroll and Buchholtz (2006: 202 – 203) when reflecting on the elements of moral judgements suggested by Powers and Vogel (1980). Moral identification and ordering assists the individual in determining the issues and relevance of these issues in ethical decision-making. Moral evaluation is the practical ability to weigh ethical factors and understand important principles guiding decision-making. Tolerance of moral disagreement and ambiguity is expected when evaluating and making ethical judgements. Another element to moral judgement is the ability to integrate

managerial and moral competence. And finally, a sense of moral obligation is needed to ensure consistency and integrity in ethical decision-making.

The inexplicability of good people making poor ethical decisions is complex. Hoffrage, Krings and Palazzo (2012: 325) discuss the term ethical blindness as a concept to explain unethical behaviour that is perhaps not malicious or intentional, but "the temporary inability of a decision maker to see the ethical dimension of a decision at stake". Ethical blindness, in their view, can occur when individuals deviate from their own values; is temporary in nature; and is unconscious. Hoffrage et al. (2012: 333 - 334) suggest that to avoid ethical blindness, moral imagination is needed as discussed by Carroll and Buchholtz (2006) in the previous paragraph.

The role of emotions on ethical decision-making was an area of interest for Gaudine and Thorne (2001: 177). Emotion consists of two dimensions, namely arousal and a feeling state. The level of arousal ranges from quiet to aroused, and feelings range between negative affect (anger, depression, fear, hate) and positive affect (happy, content, optimistic).

Gaudine and Thorne (2001: 179) reflect on the role of emotional arousal and feeling state in ethical decision-making. They make seven proposals in this regard: 1) There is a positive relationship between emotional arousal and the identification of an ethical dilemma; 2) Individuals experiencing positive feelings are more likely to identify an ethical dilemma; 3) Individuals with low arousal and low positive affect are less likely to recognise an ethical dilemma; 4) a higher level of arousal would support the individual's tendency to make a prescriptive judgement; 5) a prescriptive judgement consistent with the individual's level of moral development is more likely when there is positive affect; 6) ethical decisions will tend to be more consistent with the individual's prescriptive judgement when there is a positive affect; and 7) there is a positive relationship between arousal and the likelihood of complying with the individual's ethical intention. Emotions, they conclude, cannot be ignored in organisations, nor the fact that they contribute towards identifying ethical dilemmas. Rather an attempt can be made to make individuals in an organisation aware of the role emotions play in ethical decision-making in order for them to take cognisance of their emotions.

The effect of mindfulness in ethical decision-making was explored by Ruedy and Schweitzer (2010: 73) who explain that "Mindfulness refers to an individual's awareness both internally (awareness of their own thoughts) and externally (awareness of what is happening in their environment)". They suggest that the recent high levels of unethical behaviour could partially be attributable to a lack of mindfulness. Their (Ruedy and Schweitzer, 2010: 81 – 82) research determined that a greater degree of mindfulness promoted ethical intentions;

lessened the propensity to behave unethically; placed greater emphasis on adhering to one's own ethical and moral values; and was more internal in nature – wanting to be ethical rather than wanting to appear ethical. Mindfulness also lowered the tolerance parameters for unethical behaviour, so while mindfulness does not preclude unethical behaviour, it increases sensitivity towards violations. Ruedy and Schweitzer (2010) suggest that organisations can stimulate mindfulness by introducing mindfulness training and the encouragement by managers and leaders that employees reflect on the present and focus on their thought processes prior to making decisions.

The extent to which the perception of favourable corporate ethics influenced decision-making by individuals was explored by Godkin, Valentine and Vitton (2012: 61 – 62). They found the perception of corporate ethics was positively correlated to the ability of individuals to recognise ethical issues, to make an ethical judgement, and to display an ethical intention. They suggest that management needs to improve the perception of corporate ethics in order to assist individuals in making ethical decisions – that is, to foster an ethical organisational context. They highlight the role that a code of ethics can play in this regard as a fundamental tool to enhance the ethical culture, the perception of corporate ethics and ethical decision-making.

In conclusion, what role can a code of conduct play in ensuring individual's decision-making is ethical in nature? Prior research again highlights the ambiguity of results in this regard. Cleek and Leonard (1998: 620) find that a code of conduct was ineffectual in influencing individual decision-making factors of ego strength; Machiavellianism; locus of control; gender roles; religion; age; work experienced; and role of significant others. They suggest the only way to control the individual factors of employees is during the recruitment and selection process to ensure individual decision-making is congruent with what the organisation requires, although, the challenge they admit, is in selecting correctly – weaknesses in psychological profile, background checks, polygraph checks, and other methods of screening potential employees make it difficult to always select suitable employees.

Reflecting again on Schwartz' (2001: 252 – 255) findings on the relationship between the code of conduct and individuals' ethical behaviour, opposite conclusions were drawn. Schwartz found that although rare, codes do have the potential to influence behaviour directly: some respondents had modified behaviour as a result of the code of conduct; and the number of questions ethics officer had been asked regarding the code of conduct reflects how individuals are evaluating their behaviour in accordance with the code of conduct. The reasons given by respondents for non-compliance included self-interest; dissatisfaction;

environment; company's best interest; and ignorance. Compliance was motivated by personal values; fear of discipline; and loyalty towards the organisation. Codes influence ethical behaviour in clarifying what behaviour is expected; encourage consultation to determine best behaviour; confirm behaviour; caution employees; challenge employees to resist unethical behaviour as a tool to convince others of inappropriateness of behaviour; and act as an enforcement mechanism.

Individual decision-making is contextualised from an organisational, industry, and external environmental perspective. In the next section, the organisational context will be explored.

4.7 The influence of organisational characteristics on code of conduct effectiveness

Section 4.6 above described how individuals' ethical decision-making ability is not only determined by the individuals' characteristics, but also by the organisational context in which the decision is made. As the organisational context influences individual's ethical decision-making capacity, it could be surmised that the effectiveness of a code of conduct could be influenced by the organisational context.

The uniqueness of organisations requires that both the content of codes of conduct and their implementation take cognisance of the organisational context in order for them to be effective. It would be inappropriate to simply purchase a standardised code of conduct or simply 'produce' one by an external consultant (Kaptein and Wempe, 1998: 862). This section will explore the uniqueness of organisations and their contextual variables, with a specific mention of the ethical work context, organisational structure, organisational size, and the organisational life cycle.

Organisational influences that could have an impact on the effectiveness of codes of conduct are discussed in the subsections below and include the ethical work context; the corporate culture; the level of organisational learning; the organisation's size; the stage of the organisation's life cycle; the structure of the organisation; the use of technology; prevalent leader and follower dynamics; perceived pressure for results; and the corporate strategy. The researcher acknowledges that topics such as the corporate culture, strategy, and leader and follower dynamics are covered elsewhere in this document, but suggests that this is a reflection of the interrelatedness of many of the factors that influence code of conduct effectiveness.

Codes of conduct influence the organisational context, but as the organisational context influences individual's ethical decision-making capacity, it could be surmised that the effectiveness of a code of conduct could also be influenced by the organisational context – a reciprocal relationship. Beggs, Dean and Keane (2010: 52) speak of how the organisational context "both *stresses* (introduces anxiety or pressure) and *drives* (compels some sort of solution) members' decision-making when they are considering ethical situations in the workplace".

Some components of the organisation's context are discussed below to provide a better understanding of the role they could play in facilitating or impeding the effectiveness of a code of conduct.

4.7.1 Ethical work context

The influence of the ethical work context on ethical decision making has featured in a number of historical studies, with the likes of Jones and Wyld (1997: 466) highlighting the significance organisational factors have had on the development of ethical decision making models.

More recently, Pastoriza and Ricart (2009: 479 – 485) provided an insightful reflection on creating an ethical work context that can enhance the organisation's social capital (OSC). Work context is the combination of structural and behavioural mechanisms that management can to a greater or lesser degree directly control, which influences employees attitudes and behaviour. Organisational social capital is viewed as a resource that "reflects the affective quality of relationships within the firm, the shared concern for common goals, and the degree of cohesiveness among employees" (Ariño et al., 2009: 478). It comprises two dimensions, namely associability that is the subordination of individual goals and actions in favour of group's goals and actions, and shared trust between individuals within a group.

Associability and trust levels (that is the ethical work context) according to Ariño et al. (2009) are determined by the influence of both the structural and behavioural context which in turn influences the organisation's social capital. Structural context is the administrative procedures, systems and infrastructure (such as hierarchical design, job descriptions, and compensation systems) that influence behaviour of employees. A negative structural context is one that undermines goodwill and commitment by members of an organisation through overly strict administrative monitoring and control; provision of incentives based entirely on individual performance rather than rewarding teamwork; use of contractors or temporary

employees that undermines stability; continuous downsizing and its inherent threat to employment stability; and coercive hierarchies of management control.

Policies that reward group performance and encourage employees to work together, organisational design that encourages network formation by employees, building layout that eases informal communication, and rules that provide stability, are all positive structural contextual tools. Ariño et al. (2009: 481) propose that negative structural context dampers an ethical work context and reduces organisational social capital, while the opposite is true for a positive structural context. They caution that developing social capital is a long term process and takes time to be developed through consistent effort by management.

Behavioural context includes the managerial processes that influence individual employees' attitudes and motivations – "OSC is not only a matter of inducing behaviors in employees – which is the main objective of the structural context – but also of influencing their motivational and attitudinal state – the main objective of the behavioural context" (Ariño et al., 2009: 481). It is employee involvement on an emotional level and assists in ensuring employees adopt values and goals of the organisation. A negative behavioural context is the result of management processes that are compliant, control, constraint, and contractual in nature, reflected in inflexible procedures, restrictive roles, authoritarianism and depersonalisation of people and relationships. Rewards that are highly financially incentivised can reinforce the purely contractual relationship and entrench a negative behavioural context.

A positive behavioural context incorporates discipline, support, trust, and stretch (striving for ambitious objectives) in management practices. Ariño et al. (2009) allow for candid feedback to employees; consistency of disciplinary fairness; shared ambitions; collective identity; personal meaning and sense of achievement; transparency in access to resources; support to take the initiative; provision of help and guidance by management; involvement in collective decision-making; fairness in decision-making; and employment of competent people in the correct positions.

Ariño et al. (2009: 482 - 483) maintain that while a positive structural context is necessary for an ethical work context, it is not sufficient, and has to be supported by a positive behavioural context. They again propose that a positive behavioural context encourages an ethical work context that results in organisational social capital, while the opposite will occur with a negative behavioural context. An appropriate balance needs to be found by management between these two dimensions of an ethical work context to ensure the enhancement of organisational social capital – which has a feedback impact on the ethical work context.

The effectiveness of a code of conduct will therefore be influenced by associability and trust levels – characteristics of an organisational context that can be both influenced and gauged. It is predictable that introducing a code of conduct into a context with low levels of trust and associability will prove futile, if not counterproductive, breeding scepticism and possible diminishing trust even further.

4.7.2 Organisational structure

George and Jones' (2012: 497 - 520) provide a valuable introduction to the topic of organisational structure through their brief on structural design. They suggest that an organisation's structural design has to fit three contingencies: 1) the nature of the organisation's external environment; 2) advances in technology; and 3) the human resources and employment relationship.

From an external environmental perspective, George and Jones (2012) suggest the degree and speed at which the external environment changes, results in uncertainties and problematic resource accessibility. This requires that organisations operating in these environments organise their functions and structure in order to adapt quickly and flexibly. To achieve this, decision-making needs to be decentralised with lower level employees empowered to make operational decisions, and possibly the establishment of self-managed teams. In a more stable environment with a greater degree of certainty, less coordination and communication is needed, and a formal more hierarchical structure may be more suited.

With regard to technology, the more complex the technology, the more difficult it is to control it, hence the need for a more flexible structure to exploit opportunities and counter difficulties. If the technology is routine and less complicated, a more formal structure may be more advisable. The more highly skilled employees are in an organisation, the more likely the organisation will make use of work teams with a flexible and decentralised organisational structure (George and Jones, 2012).

The code of conduct content and implementation needs to take cognisance of its organisational structure. For example, the more flexible organisational design would require ethical decision-making by a number of levels within an organisation including decision-making by lower level employees. The content of the code of conduct would need to be worded in such a way that it is understandable and applicable to their context, and implementation would require that they be trained on code of conduct implementation. Kaptein and Wempe (1998: 854) emphasise this point by highlighting the importance of the organisation empowering its employees to make the correct ethical decisions. Organisational

structure and culture need to be developed that discourage unethical behaviour and stimulate ethical behaviour.

With regard to the effectiveness of codes of conduct, Weller (1988: 391) proposed three hypotheses regarding the organisational hierarchical and management influence on effectiveness: "In a decentralized organization, middle management will be a more effective source of authority for promoting a code of ethics than upper level management; in a centralized organization, upper level management will be a more effective source of authority for promoting a code of ethics than middle level management; a code of ethics that is supported by all levels of management will be more effective than a code that is supported by one level of management but not the other".

Not only does the hierarchical structure of an organisation influence how well the code will be received, but different functions in an organisation may perceive the code of conduct differently. Cavanagh, Mortensen and Smith (1989: 259) found that sales and marketing managers rated codes of conduct less importantly than other functions. Sales, engineering and research and development rated personal ethics of less importance than managers in other functions. Possible reasons for this are the competitive nature of these functions and the fact that managers are more independent in their decision-making abilities, and are allowed to make use of a wider range of strategies to gain competitive advantage over other organisations.

Functional dimensions would therefore be important to take account of when developing and implementing codes of conduct. For example, the sales environment of some organisations may necessitate content that addresses ethical risk areas in their sales and marketing activities, and a greater degree of monitoring may be required.

4.7.3 Organisational size

Organisational size may have an influence on code of conduct effectiveness in a number of ways. Smaller firms may not have the same degree of financial and human resources available to address ethical risk areas as large firms. Larger organisations could be the target of more sophisticated criminals resulting in greater levels of fraud risk. Management of smaller firms requires more direct involvement by managers and would be more directly influenced by their set of values and ethical decision-making capability.

Limited resources experienced by smaller organisations were an issue addressed by Holtfreter (2008: 57) who found that larger non-profit organisations experienced smaller

losses as a result of fraud. In the author's view, this is in all likelihood a result of the quantity and quality of resources available to the larger non-profit entities – they had more control over finances through external audits and anonymous hotlines. Smaller organisations may therefore need to be addressing this constraint through code of conduct implementation methods available to them. For example they could introduce code of conduct aligned processes and internal controls to prevent risks that they may face.

The role of management in ethical decision-making differs between different sized organisations. Cavanagh et al. (1989: 257) found that managers of the smallest businesses in their survey considered that legal compliance and adherence to the organisations' values and rules were part of their job requirements, more so than managers in medium to large sized organisations. They suggest that managers in larger organisations are more specialised and as a result, more insulated from the environment and the need for ethical decision-making. This would suggest that larger organisations delegate ethical decision-making to lower tiers of management. This necessitates that their codes of conduct and implementation processes would provide managers with guidance on making ethical decisions to prevent ethical breaches.

4.7.4 Stage of the organisation's life cycle

It is conjectured that as organisations evolve they experience a range of changing challenges and risks that could impact on a code of conduct.

During the initial phase of a company's establishment, there would be pressure on the organisation to make a profit as soon as possible and reach a point of sustainability. There would be a high degree of pressure on members of the organisation to deliver results. Even at this early stage, leadership should consider the development of a code of conduct in an endeavour to provide guidance to employees on ethical decision-making, and implement an ethics management structure and whistleblowing mechanisms.

As the organisation reaches maturity, the code of conduct may need to be revised on a regular basis to take account the changing context of the organisation. Further resources could be allocated to infrastructure and processes to ensure effective implementation of the code of conduct.

Businesses fail due to a number of reasons – technological obsolescence, resource depletion, competitive pressures, poor management, and unfeasible business models. The declining organisation results in unique challenges including a high degree of insecurity for

members of the organisation and places unique responsibilities on the organisation towards employees and communities that business closure could impact (Carroll and Buchholtz, 2006: 492 – 500). This environment could encourage unethical behaviour in a desperate attempt to safeguard jobs and income, and the code of conduct could play a valuable role in preventing unethical breaches, provided implementation methods are maintained throughout this period of decline.

Organisations operate in a variety of industries, and while this section has discussed the organisational codes of conduct context, the industry context can also influence the challenges and risks that organisations face in maintaining ethical standards. The next section explores the impact of an industry on the organisation's ethical context.

4.8 The influence of industry dynamics on code of conduct effectiveness

The industry will impact on the following: the ethical challenges faced by the organisation and its employees; the content of the code of conduct (that reacts to unique ethics challenges); and the implementation of the code of conduct. In what follows, a number of industry factors that could impinge on the content and implementation of the code of conduct and detailed and include the type of product or service manufactured, provided or mined; the globalisation of the industry; outsourcing of multinational organisations; government participation; the regulatory environment in the industry; the influence of professional bodies in the industry; the influence of lobby groups on the industry; the unionisation of the industry; the competitive environment within the industry; and the impact such an industry has on society.

The type of product or service manufactured, provided or mined is unique to each industry. Interview results in this research provided some examples in this regard: Products produced for the pharmaceutical industry would need to be marketed in a responsible manner; insurance policies would have to be sold in a responsible manner; and communities impacted by mining operations would need to be treated in a responsible manner. Codes of conduct may need to include provisions relating to these areas of concern while implementation of the code of conduct would need to support these codes of conduct provisions.

An example of an industry with a particular concern in the degree of unethical behaviour is the sales industry. It is an industry subject to much research from the perspective of unethical sales practices and mention is made of two that explored the role of codes of

conduct operating in these industries. Sales employees in organisations with codes of conduct had more positive ethical values than employees in organisations without according to Barnett and Valentine (2002: 198). DeConinck (2003: 28) also conducted research on the influence of the code of conduct in the sales industry. The author found that the existence of a code of conduct influenced managers' judgement and reaction to unethical behaviour. If a sales employee violated a provision in a code of conduct, managers were more likely to take a stronger standpoint on the issue and advocate more severe penalties, than managers in an organisation without a code of conduct.

Global industries, such as the clothing and footwear industries, would need to incorporate provisions into their codes of conduct and implementation to ensure the organisation operates ethically throughout its supply chain maintaining human rights standards while being responsible to cultures and communities where it may have an influence.

Certain industries have a greater degree of government participation and the level of legislation between industries may differ. The banking industry is heavily regulated, and one example of code of conduct adaptation would include reference to specific legislation regarding money laundering, and processes and controls would need to be implemented within their organisations to prevent such activities. Controversial industries such as the alcoholic and tobacco industries may face pressure from government, yet the organisation's lobbying activities with government would need to be professional and codes of conduct could address political interference concerns.

Industries operating within controversial industries were a matter Cai, Jo and Pan (2012: 468) debated. They define controversial industry sectors as those industries "characterised by social taboos, moral debates, and political pressures, such as tobacco, gambling, alcohol, and adult entertainment as well as industries involved with emerging environmental, social, or ethical issues, i.e., weapons, nuclear, oil cement, and biotech". They suggest that organisations in these industries adopt corporate social responsibility activities for one of the following three reasons: The window-dressing hypothesis (a cover-up of their objectionable activities); value-enhancement hypothesis (to improve transparency, strategies, philanthropy and improve value); and value-irrelevance hypothesis (simply following the trend of other organisations conducting corporate social responsibility).

An industry could be influenced by the level of professionalisation of the industry, or professionalisation of functions within the organisation. The banking and insurance industry may have functionaries that need to abide by professional codes, while real estate companies may need to abide by industry wide codes. These requirements could be

addressed in the code of conduct and reference made to these professional codes, and processes within the organisation could be adjusted to align them with provisions of these professional codes.

Lobby groups could influence particular industries and organisations may need to take account of these stakeholders when developing and implementing codes of conduct. An example could be anti-tobacco lobbying groups requiring more responsible marketing by tobacco companies. The code of conduct could address issues such as responsible marketing and improving product safety. An example of the impact that lobbying groups had on the sporting goods industry adoption of codes of conduct that included provisions on supplier adherence to international labour standards was detailed by Kolk and Van Tulder (2001: 278 – 279). They found that multinational organisations in the sporting goods industry had to a greater degree, adopted, and implemented codes of conduct, than in other industries. They attribute this to a number of factors including an attempt by them to mitigate the risk of adverse publicity and due to pressure from business support groups, social interest groups and international organisations on American firms. Pertinent examples include Nike and Reebok, who have been identified by social interest groups both nationally and internationally and have experienced substantial stakeholder action.

The unionisation of the industry could also impact certain industries to a greater extent, and the relationship between the organisation and union may need to be addressed in the code of conduct, for instance the commitment of the organisation to international labour standards and fair retrenchment procedures.

In a strongly competitive industry the organisation may need to safeguard itself against anti-competitive behaviour and possible sanctions and penalties for such behaviour. Provisions that detail the relationship between the organisation and competitors could be detailed such as respect for their proprietary information.

Certain industries have a significant impact on their environment or communities. The mining industry is one in particular that impacts the resources of small communities and therefore has certain responsibilities to those communities. The code of conduct could include provisions such as rehabilitation of the environment once mining operations are concluded, and detail the responsibilities the organisation has towards these communities.

The above examples are not meant to be all-encompassing, but serve to illustrate the importance of the industry context on code of conduct content and implementation. It suggests that the industry context, such as the type of product or service produced; the

internationalisation of the industry; regulation in the industry; the professionalisation of the industry; the influence of lobby groups; the level of unionisation; and the impact on society, need to be taken into account to ensure codes of conduct are relevant and that implementation methods are suitable. The following section will explore the influence of the external environment on code of conduct effectiveness.

4.9 The influence of political, economic, social, technological, legal and environmental factors on codes of conduct effectiveness

Code of conduct development and implementation needs to be receptive to the external environment in which the organisation operates and should take into account the political, economic, social, technological, legal and environmental factors that could impact on a code of conduct's success. These factors are discussed in more detail below.

4.9.1 Political Influence

In order for the code of conduct to be effective its content and implementation should take into account the unique political environment in which it operates. This environment could facilitate code of conduct effectiveness when it is stable, supportive of good corporate governance, and encourages business sustainability. A corrupt and inefficient political environment impedes business and promotes unethical behaviour in the form of bribery and corruption.

From a multinational perspective, organisations wishing to operate in an uncertain or corrupt political environment have a number of difficult choices to make. On one extreme, the organisation could compromise its ethical standpoint in countries with a prevalence of bribery and corruption, and condone bribery and corruption by members of its organisation. A code of conduct, even with provisions prohibiting such activities, will be undermined and ineffective should leadership embark on this course of action. Similarly, organisations operating in unsafe countries characterised by political instability, war or terrorism have in effect disregarded their responsibility towards their employees and any provisions in the code of conduct on this responsibility.

Other organisations may choose to operate in countries that have an uncertain or corrupt political environment, yet take a standpoint on corrupt practices. This may involve lobbying with the particular government and a refusal to pay bribes to facilitate business. This could be at a considerable expense to the organisation in delays, loss and damage to goods and equipment, and the inability to conduct business. A properly worded and implemented code

of conduct could set the parameters of allowable business practices for employees and their supply chain and assist these organisations in adhering to their ethical standards.

Organisations may justify their operations in countries with poor human rights records. They may argue that their involvement in these countries not only improves the communities in which they operate, or the lives of the people for which they provide goods or services, but also that they can play a role, through lobbying government, to change the status quo.

Organisations, on the other extreme, may choose simply not to operate in certain countries due to the concern that such operations would compromise their integrity. Their code of conduct may provide leadership with guidance on when such a decision should be made.

4.9.2 Economic influence

It has been argued that individuals and organisations facing economic downturns would have a greater propensity to commit misconduct. For instance, in the field of management accounting, McCoy (2012: 76) found that economic factors could contribute towards management accountants' willingness to comply with the Institute of Management Accountants Statement of Ethical Professional Practice in the United States of America. If it was perceived by these accountants that the job market was unfavourable they were less likely to comply with certain provisions of the code and less likely to resign in the face of ethical conflicts.

From a code of conduct perspective, this would suggest that for a code of conduct to be effective in discouraging unethical behaviour during economic downturns or during times of individuals' financial difficulties, the code of conduct should be embedded within an organisation, with aligned monitoring, control, and reporting processes mechanisms.

4.9.3 Social and cultural influence

The social influence refers to the society within which the organisation operates and its impact on the organisation and the code of conduct. When discussing the social influence reference is made to the culture of these societies and individuals (the behaviours, attitudes, and beliefs of a particular society) which should not be confused with that of the corporate culture that is unique to the organisation itself and has been discussed previously in this thesis.

Members of the organisation, the organisation's customers, the community within which the organisation operates, and the societies impacted by multinational organisations operating

across cultural and national borders, influence the effectiveness of the organisation's code of conduct to some or other extent. With regards to employees, the code of conduct would need to be culturally relevant, with their values being aligned to that of the values espoused in the code of conduct. With regards multinational organisations (Carroll and Buchholtz, 2006: 299), the code of conduct would need to reflect a respect for various cultures, and the responsibility the organisation has towards the societies it impacts upon.

The appropriateness and effectiveness of codes of conduct across cultural borders is a concern raised by Weaver (2001: 4) who discusses how most ethics programmes have been developed by American organisations and consultants and are often applied in non-American cultures and are not always suitable for that particular social context. In order to better understand cross-cultural differences, reference is made to the seminal work of Hofstede (1980: 92, 153, 213, 261) who introduced the four elements of culture, namely power distance; uncertainty avoidance; individualism; and masculinity. Weaver (2001: 6 - 9) uses these dimensions to describe the six cultural dimensions that impact on the effectiveness of ethics management programmes and the researcher comments on the relevance they have to code of conduct effectiveness:

1. Individualism versus collectivism where individualist society see the individual as self-determining with group relationships being weaker and less loyal while collectivist societies have strong traditional communal relationships.

   Rewards and punishment of the individual may be inappropriate in collectivist societies where the perception would be that they should be directed towards the group. Rewards and punishment could result in the individual becoming an outcast or a martyr, compromising the organisation's legitimacy. The conciliatory approach could clash with ethics interventions such as forensic investigations, codes of conduct, and grievance procedures. Weaver (2001) suggests that ethics interventions in organisations operating in collectivist societies should focus on culture management rather than formal intervention methods.

   An implication for organisations' operating in collectivist societies is the need to focus the content of codes of conduct on group responsibility and accountability and that implementation methods would need to be formulated that influenced the corporate culture in those operations.

2. High context versus low context communication where high context refers to the strong social ties providing the opportunity for multiple communication methods

including more subtle types of communication, while low context cultures do not rely as much of the context of the communication and are characterised by a stronger emphasis on the spoken and written word.

Business ethics programmes in low context cultures should rely on formal structured implementation methods including codes of conduct. Formal implementation methods in high context cultures could be perceived as irrelevant, and even arrogant. This could result in ineffective implementation and non-compliance or compliance to the detriment of organisational rapport.

3. Uncertainty avoidance is reflected in high uncertainty avoidance cultures trying to minimise uncertainty through sets of rules and regulations (Weaver, 2001). Formal business ethics programmes including codes of conduct are suitable in such cultures. Manipulation of the organisation's culture, as an ethics initiative, could be problematic in such cultures as it could be seen as escalating uncertainty.

4. Conceptions of managers and manageability where managers can be seen as experts with the skills to solve problems encountered, or they are viewed as individuals who have the ability to arrange and coordinate activities and people that will result is a solution.

There is also the level to which managerial expertise will be questioned. In cultures within which managers are seen as experts, it would be inappropriate to challenge these managers on decisions they make, as it would be inappropriate to raise questions that may be difficult for the manager to answer – such as ethical dilemmas. Introducing ethics reporting structures is unlikely to be successful as they may not be used. Ethics programmes would be better focused on the manager directly.

5. Cultures can be regarded as masculine, which are more aggressive, confident and materialistic, or feminine displaying care for human needs and interdependence (Weaver, 2001). In masculine cultures, directional ethics programmes with directional codes of conduct may be needed to temper the ambition of individuals, while in feminine cultures a more aspirational approach with an aspirational code of conduct may be suitable.

6. Power distance refers to the division of power within institutions. High power distance reflects a high division of power in society based on status and class –

such as found in hierarchical organisations (Weaver, 2001). Blame is easy to assign to the individual who had the power authority. Low power distance societies try to minimise inequalities of power with cooperative decision-making. Blame would be dispersed in such a cultural setting.

Power distance influences whether employees will refuse to act on instructions of a questionable nature by superiors. In a high power distance relationship, there will be little influence encouraging the subordinate to question decisions or instructions as it is beyond the bounds of their responsibility. Ethics programmes would be better directed at the organisation's leadership.

These six dimensions need to be carefully considered in order to determine the most appropriate code of conduct and implementation programme in different cultures. Weaver (2001: 12) does clarify, however, that it can sometimes be appropriate to enforce an existing ethics programme in a host country. If the programme is clearly an alien programme originating in the organisation's home country, it could be perceived as legitimate by employees. The author contends that this would be a better approach than trying to introduce indigenised, half-hearted, ethics programmes in host countries.

As the researcher's research takes place in South Africa, some cultural concepts are discussed to provide an African insight into the research.

A South African perspective

Africa is regarded as having two economic systems. According to Morove (Nicolson, 2008), one is a modern economic system, the other rural, operating according to African traditional values. Western capitalism emphasises individual well-being, while African culture values communal well-being and individual belonging. The discrepancy between cultures is apparent on numerous levels, and even the deep-rooted concept of private land ownership as evidenced by title deeds, is alien to the communal African values. Morove (Nicolson, 2008) talks of the prestige motive, where individuals are driven by attaining prestige in their communities, often through self-sacrifice. This could be detrimental, an example of which may be the hesitancy to save in favour of spending on entertainment and feasts, or the desire to fulfil obligations to an extended family.

Africa ethics is also influenced by a range of religious beliefs and values, and as Nicolson (2008: 7) states, "'African Ethics' could arguably include the ethics of everybody who lives in Africa", and that due to the huge influence of Christianity and Islam in Africa, it would be "intolerably narrow to restrict the meaning of African Ethics so as to exclude them".

Nicolson (2008: 8) further raises the challenge that African values and culture face: "Are some aspects of traditional African culture – male hegemony, respect for elders and chiefs, the idea that a fortunate individual must share his or her fortune with the wider family in assisting them with jobs – not tantamount to sexism, gerontocracy, authoritarianism, nepotism, and the like?"

Codes of conduct and their implementation would need to take cognisance of the wide range of cultures, values and languages. They could emphasise the communal well-being and individual belonging within the organisation while guard against possible concerns of nepotism, sexism, gerontocracy and authoritarianism.

4.9.4 Technological influence

The challenges that technology pose on business ethics are presented by Carroll and Buchholtz (2006: 258) who bring attention to the speed of technological advances – "Many would argue that technology has developed at a speed that significantly outstrips the capacity of society, government, or business to grasp its consequences on ethics". Carroll and Buchholtz (2006) further assert that it is undeniable that technology has had a huge positive impact on business and society, including the improved production of goods and services, improved productivity and improved health and safety of the workforce. Higher standards of living have been achieved and life expectancy has increased.

It is also undeniable that technology has had negative effects: environmental pollution and global warming; depletion of natural resources; technological unemployment where technology has replaced the need for human labour; and job dissatisfaction due to monotony of specialised skills (Carroll and Buchholtz, 2006).

Carroll and Buchholtz (2006: 264) believe that there are two important ethical issues surrounding technology. Firstly 'technological determination' of scientists and those involved in advanced technologies to continually push the boundaries of science and technology without considering the ramifications. Secondly, 'ethical lag', which is the result of the rate of technological advances far exceeding ethical development.

Information technology's ethical issues can broadly be categorised into e-commerce (electronic commerce) and the use of computer technology in the workplace. In e-commerce, the ethical concerns include the protection of intellectual property; privacy and informed consent; the protection of children; security of information in the face of fraud; and trust in e-business transactions. Certain business practices themselves can potentially be

challenged such as pornography, internet gambling and the sale of intellectual property. The practice of paying for positioning of webpages on search engines is also questioned – is this unfair competitive practice or simply free enterprise?

To mitigate potential ethical breaches in information technology, the content of codes of conduct could include protection of intellectual property; privacy provisions and the requirement for informed consent. From an implementation perspective, processes could be introduced to protect information; guard against fraud; and safeguard e-business transactions.

With regard to the workplace, computer technology (Carroll and Buchholtz, 2006: 271 – 273) has revolutionised the way people work and interact. Organisations are also using technology to monitor and control their employees. Employees are increasingly under surveillance and many companies routinely monitor email and internet usage. This monitoring can be justified from a compliance and risk perspective as the internet can be misused – sexual harassment, pornography, dissemination of proprietary information, leakage of information to competitors – are just some examples of misuse.

Methods to manage internet usage include developing policies guiding internet usage; monitoring internet usage; restricting access to certain websites; and restricting internet access times. Employees are also sometimes monitored through technology outside of the office – Global Positioning Systems (GPS) have made it increasingly easy to monitor employee movements in particular job positions. Other forms of technology in the workplace include drug testing, online background checks, and surveillance cameras. A particular issue Carroll and Buchholtz (2006: 273) raise is the use of cell phones for business and the risk of accidents when on the cell phone while driving.

The balance needs to be struck between monitoring in order to protect employees and the company, and the potential invasion of privacy. The code of conduct could include provisions detailing the level of monitoring in order for employees to be aware that monitoring is taking place. It could also specify the parameters of allowable internet usage such as the prohibition of pornography within the organisations information system.

Biotechnology (Carroll and Buchholtz, 2006: 275 – 284) is another technological ethical challenge, especially for organisations in the healthcare, pharmaceutical, and agricultural industries. Genetic engineering advances such as stem cell research, cloning, and genetic testing and profiling, as well as the advances in genetically modified foods (GMF) have been questioned from both a moral and safety perspective. Organisations in the pharmaceutical

industry could utilise their codes of conduct for detailing their ethical stance on the above issues and detail activities that are prohibited.

Shortcomings of codes of conduct dealing with information and communications technology (ICT) issues are explored in research conducted by Healy and Iles (2002). The key issue seems to be that many information and communications technology related codes were drafted by information technology (IT) departments for their staff, yet data are used by a much wider audience within an organisation, and this usage is seldom covered by codes of conduct. It was found that most codes of conduct with information and communications technology related content, covered the use and abuse of email, and there were a significant number of codes that spoke of downloading files from the internet.

Few covered purchasing online; publishing documents on the web; data back-up; movement of equipment; and keeping data on individuals. Few of the respondents had codes that covered personal data. Most of the respondents who were governed by information and communications technology codes believed that the codes had negligible influence on the way employees utilise information and communications technology. Healy and Iles (2002: 122) state that "there is a strong tendency to disregard codes. Further, it would appear that at certain levels of management, codes of conduct appear to be seen as documents to be produced, publicised and then ignored".

South African perspective

The King Code of Governance Principles (King III) (Institute of Directors South Africa, 2009) suggests that South African companies adopt certain information technology governance principles to address potential ethical issues. Information technology governance was regarded as a board responsibility, and as such, has strategic importance. It was recommended that the information technology strategy be integrated throughout the organisation and its operations and utilised to improve performance and a chief information officer be appointed to manage the information technology function. It was expected that companies incorporate information technology into its risk management practices and that efforts are made to comply with relevant Information technology laws, rules, codes and standards. Information technology should be used to improve the audit function and information technology risks should be considered by the audit committee.

4.9.5 Legislative influence

The regulatory environment constrains organisations', and members of the organisations' activities. Codes of conduct often refer to adherence to the law; they may specify applicable laws; and they may even incorporate provisions in the code of conduct that are aligned to legislation. From a code of conduct implementation perspective, control and operational processes may be adapted to comply with legal requirements. For example, money laundering legislation compliance could be inculcated into a banking firm through documentation requirements and background checking that employees have to comply with.

Code of conduct adoption has particularly been influenced through various legislative acts and guidelines promulgated such as the Sarbanes-Oxley Act 2002 of the United States and the King Code of Governance Principles of South Africa that require or recommend the adoption of codes of conduct by organisations.

Code of conduct adoption, content, and implementation due to such legislation was explored by Canary and Jennings (2008: 263 - 265). This was from the perspective of the influence the Sarbanes-Oxley Act of 2002 had on organisations in the United States of America, which prescribed the development of codes of conduct for financial officers and employees with an obligation to provide evidence of requisite training. Organisations without codes of conduct developed codes in accordance with the Act, and those with existing codes of conduct amended their codes to take into account the change of regulation.

Canary and Jennings (2008) found significant differences between codes of conduct pre- and post-Sarbanes-Oxley Act of 2002 enactment. Post-Sarbanes-Oxley Act of 2002 codes of conduct attributed more significance to law and compliance. Ethics themselves were increasingly emphasised in post-Sarbanes-Oxley Act of 2002 codes of conduct as values or principles – a heightened awareness of ethics due to corporate scandals experienced.

In comparison, Wood (2000: 294), when comparing codes of conduct in the United States, Canada and Australia, found that codes of conduct in Australia were significantly less reliant on internal and external scrutiny and legal counsel for guidance. Wood (2000) speculates that this is a result of the less regulated environment of Australia.

Introducing and enforcing global organisational codes of conduct can be problematic due to the differing legal provisions in countries. Talaulicar (2009: 351 - 356) describes how both Wal-Mart and Honeywell fell foul of the law when introducing their codes of conduct in Germany. The Works Councils in the German subsidiaries objected to the enforcement of the code of conduct and these disputes were referred to the relevant Labour Courts. In terms

of the German Works Constitution Act, Works Councils have the right to codetermine rules of operation and conduct of employees. It was found in both cases that the Works Council did have codetermination rights with regard to certain provisions of the codes of conduct. It was further found that Wal-Mart provisions regarding personal relationships at the workplace infringed on the constitutional rights specified in the German constitution.

The South African legislative environment is of particular interest in their impact on codes of conduct of participating organisations and will be detailed below.

South Africa legislative environment

The Companies Amendment Act 3 of 2011 (Government Gazette, 2011) and the King Code of Governance Principles known colloquially as King III (Institute of Directors South Africa, 2009) have had a substantial impact on business ethics management practices in South Africa. The content of these documents will be discussed to contextualise the South African business environment from a regulatory perspective.

The Companies Amendment Act 3 of 2011 introduces both the necessity to establish a social and ethics committee at board level and an improved stakeholder value approach. The Deloitte Social and Ethics Committee Resource Guide (Deloitte, 2012: 2) provides insight into the requirements and obligations of this committee. The stakeholder value approach entails that "Directors are obliged to promote the best interest of the company – this includes the collective best interest of shareholders, as well as the interests of among others, the community, employees, customers and suppliers".

In introducing the stakeholder value approach to the organisation, the social and ethics committee could make use of the code of conduct, through a process of aligning it with strategic objectives, and an effective implementation programme, to comply with the Act.

Deloitte (2012) provided an interpretation of the King III principles in their Final King III synopsis of 2009. They firstly highlight the fact King III has moved to a more principles based approach. King III distinguishes between a legal compliance requirement with the words 'must' and a recommended compliance requirement with the words 'should'. No longer is it a comply or explain approach, but rather an apply or explain approach.

The primary principles in King III (Deloitte 2012) include achieving ethical leadership and good corporate citizenship; effective board of directors composition and activities; appointment of an independent audit committee; determining and monitoring risk limits; taking responsibility for information technology; compliance with laws, codes, rules and

standards; widening of internal risk to include ethical leadership; developing a stakeholder strategy; and providing integrated reports on operations, sustainability issues, financial results, and results of the operations.

The code of conduct can assist the organisation in achieving the King III principles. By its very nature, a code of conduct aims to achieve good corporate governance and engenders ethical leadership. Codes of conduct can assist in mitigating risk areas and through implementation, monitor, and control risk levels. It supports adherence to laws, codes, rules and standards, which could be specified or listed in the code of conduct and promoted through formal implementation methods such as training. With regards to stakeholder management, the code of conduct can guide members of the organisation on their responsibility and accountability towards stakeholders.

4.9.6 Environmental influence

Chapter 2 introduced the concept of stakeholders, one of which was the environment. Carroll and Buchholtz (2006: 440 - 449) similarly emphasised the environment as a stakeholder that needs to be considered in the framework of business ethics. They go further to argue that business has contributed significantly to environmental degradation, through pollution and depletion, and bears the responsibility of environmental protection and addressing past environmental abuses.

A number of environmental concerns remain. Carroll and Buchholtz (2006: 442) list the main environmental problems as ozone depletion; global warming; solid and hazardous wastes; fresh water quality and quantity; degradation of the marine environment; deforestation; land degradation; and the endangerment of biological diversity. Other environmental issues include air pollution and resulting health problems and acid rain damage; indoor air pollution such as found in household material; energy inefficiency; production of toxic substances such as pesticides and cleaning materials; noise; and aesthetic pollution such as public marketing.

Environmental issues are often externalities in that the producer of the negative environmental impact does not necessarily experience its effect or bear the brunt of the cost to eradicate the problem. While legislation and interest groups can try to control or influence these externalities, environmental ethical values are also needed from organisations.

Carroll and Buchholtz (2006: 465) propose a Strategic Environment Management (SEM) model that has as its core strategy four main focuses: Developing and acquiring green

businesses; divesting or altering environment-damaging business; lower cost through waste minimisation; and differentiation through green product features. This strategy should be supported through an enabling structure, correctly staffed, shared values, leadership style, necessary skills and relevant systems.

Codes of conduct can help address the responsibility organisations have towards their environment through detailing these responsibilities and specifying required behaviour by members of the organisation. Environmental policies could also be developed and reference made to them within the code of conduct.

South African environmental context

From a South African perspective, environmental aspirations are supported by various interventionist projects and programmes (Department of Environmental Affairs: 2013) and legislation (Environmental Law Association: 2013). The projects and programmes of the Department of Environmental Affairs (2013) are extensive and there are a wide range of legislative enactments concerning the environment.

The National Strategy for Sustainable Development and Action Plan (Department of Environmental Affairs: 2011: 5) was introduced by the South African Department of Environmental Affairs as a "proactive strategy that regards sustainable development as a long term commitment, which combines environmental protection, social equity and economic efficiency with the values and values of the country". The strategic objectives of this plan were to enhance systems for integrated planning and implementation; sustain the ecosystems and ensure effective use of natural resources; aim towards a green economy; develop sustainable communities; and respond to climate change.

South African organisations would need to ensure that their code of conduct provisions and policies are aligned with these laws and support the objectives of the Department of Environmental Affairs and the National Strategy for Sustainable Development and Action Plan.

4.10 Conclusion

The guiding questions – the factors that may have an impact on a code of conduct – have been extensively described in this chapter.

The literature and reflection on these questions confirm the view that codes of conduct are influenced by a range of factors and their effectiveness could be impacted by their alignment

to strategic objectives; their development and revision process; their content; their implementation; individual's characteristics; the organisation's context, the organisation's industry; and the external environment of the organisation.

This will prove to be a valuable theoretical basis for Chapters 7 and 8, where the guiding questions will be reflected upon as the researcher details the research results and seeks to determine how codes of conduct can be made more effective.

CHAPTER 5: RESEARCH OBJECTIVES

While there is considerable adoption by organisations of codes of conduct, misconduct still occurs, corporate scandals still proliferate, and organisations still collapse as a result of unethical business practices. In view of this, the research is motivated by the necessity to better understand the reasons for code of conduct failure, and a desire to provide added insight into factors that can potentially improve the effectiveness of codes of conduct.

Extensive research has been conducted on various aspects of business ethics, codes of conduct, and code of conduct effectiveness, but they do not provide business ethics practitioners and organisations with a detailed approach to improving the effectiveness of codes of conduct. The utilisation of the grounded theory research approach addresses this limitation of past research in clarifying the various factors that could impact the effectiveness of codes of conduct, and through a process of consolidating these findings, provides a holistic approach to code of conduct development and implementation that could influence these factors and improve effectiveness.

This chapter serves to articulate research objectives based on the deficiencies of current research identified in previous chapters. Therefore, the chapter starts with a summary of the shortcomings identified, culminating in research objectives that address the shortcomings.

5.1 Limitations of previous research

Determining the validity and necessity for further research required a comprehensive literature review, resulting in the identification of three key issues: Firstly, the context of codes of conduct, secondly codes of conduct and their role in addressing business ethics issues, and finally, the influencing factors on code of conduct effectiveness.

Numerous researchers concur that codes of conduct can be beneficial to organisations in various ways. While these findings imply that codes of conduct can have a range of benefits to an organisation, they do not necessarily assure these benefits, nor describe their effectiveness in achieving code of conduct objectives.

The literature review also suggests that the content and structure of codes of conduct vary significantly. While these provide some options on the types of codes available to organisations, and suggests some pros and cons of aspirational versus directional codes of conduct, they do not necessarily solve the challenge that organisations face in determining suitable content in their codes of conduct that will optimise their effectiveness. Not only is content important, but so is the style and focus of the code of conduct. Some of the

questions organisations need to answer are whether their code of conduct should be aspirational or directional, whether the tone of the code of conduct should be to motivate ethical behaviour or condone unethical behaviour, what the optimal length of the code of conduct should be, and whether the code of conduct should be supplemented with guidelines or policies, or make reference to the law or industry and global codes of conduct.

Again much research has been undertaken to determine what content is contained in codes of conduct. Most significantly has been the attempt to benchmark the content of codes of conduct by Bettcher et al. (2005) in their Global Business Standards Codex. This codex provided a framework for code of conduct content development and analysis according to certain principles of the codex. Whether the codex is a suitable framework for ensuring code of conduct content effectiveness is one of the objectives of the research.

The ineffectiveness of codes of conduct in curbing inappropriate behaviour, and the cost of misconduct to organisations, has also received much attention. The profusion of research on ineffective codes of conduct highlights the fact that codes of conduct, even with the advent of emerging knowledge on codes of conduct, are still not developed and implemented effectively. The resulting cost of misconduct, and benefits of ethical behaviour, underscores the importance and necessity of further research on methods to improve the effectiveness of codes of conduct. While the research will not specifically explore reasons for misconduct, it is anticipated that the research will identify further methods to thwart such behaviour.

An integrated research model for the effectiveness of business codes was developed by Kaptein and Schwartz (2008) in an attempt to address conflicting findings of code of conduct effectiveness. The authors suggest that the range of previous research findings was of a result as varying research methodologies. Their integrated research model was an attempt to provide a standardised approach when researching code of conduct effectiveness.

The purpose of this research is not to determine whether participant organisations codes of conduct are effective, but the integrated research model proposed by Kaptein and Schwartz (2008) provides valuable insight into the possible determinants of code of conduct effectiveness. Through the grounded theory approach of this research, as opposed to a meta-analysis approach utilised by Kaptein and Schwartz (2008), a potential framework (later termed formulae) and multi-dimensional model is envisaged, that furthers code of conduct effectiveness. This is significantly different from the integrated research model whose purpose is to guide research when measuring effectiveness of codes of conduct, while the formulae and model aims to guide organisations in developing and implementing effective codes of conduct. Once the formulae and model has been developed, it will be

compared to the integrated research model of Kaptein and Schwartz (2008), in order to determine similarities and dissimilarities. The term formulae was selected by the researcher to reflect the complex range of influencing factors and detailed in tabular format that can be leveraged by the organisation to achieve greater effectiveness for their codes of conduct.

In the preceding literature review, an attempt was made to determine the possible influencing factors on code of conduct effectiveness, which in turn were utilised in formulating the statement of the problem and guiding questions. The research aims to test whether these guiding questions are suitable determinants of code of conduct effectiveness. To re-cap, the guiding questions were as follows: How can the code of conduct be aligned with strategic objectives to improve effectiveness?; How can the development and revision of the code of conduct enhance the effectiveness of the code of conduct?; How can the content of the code of conduct enhance the effectiveness of the code of conduct?; What formal methods of code of conduct implementation enhance a code of conduct's effectiveness?; What informal methods of code of conduct implementation enhance a code of conduct's effectiveness?; What impact do individuals' characteristics have on the effectiveness of a code of conduct?; What impact do organisational dynamics have on the effectiveness of a code of conduct?; What impact do industry dynamics have on the effectiveness of a code of conduct?; What impact do political, economic, social, technological, legal and environmental factors have on the effectiveness of a code of conduct?

While these potential factors of effectiveness have been researched to some extent, they have not been consolidated to provide a holistic approach to code of conduct development and implementation, nor has there been a significant analysis of how these factors need to be addressed in a integrated manner during code of conduct development and implementation, in order to improve code of conduct effectiveness.

The literature review provides both the motivation for further research on the effectiveness of codes of conduct, and demonstrates limitations of past research efforts. The researcher proposes three research objectives to address the limitations described.

5.2 Research objective 1

The limitation of existing research on codes of conduct is the inconsistency of results (Kaptein and Schwartz, 2007) regarding code of conduct effectiveness. This limitation is further accentuated by the proliferation of misconduct in the corporate world and the

absence of practical guidelines for ethics practitioners and organisations to implement in their attempts to improve code of conduct effectiveness.

One of the research objectives is therefore to develop a benchmarking framework (termed formulae), through grounded theory research, which will provide insight into factors that could influence code of conduct effectiveness, and provide guidelines on how these factors should be influenced and accounted for in order to improve code of conduct effectiveness.

5.3 Research objective 2

The second research objective is to develop a multi-dimensional model for code of conduct effectiveness. The model will be a visual model that will attempt to provide further guidance in developing and implementing effective codes of conduct. This will be achieved through the model's incorporation of the formulae described in research objective 1, the introduction of factors that amplify the effectiveness of codes, which will contribute towards various consequences of effectiveness – dimensions of 'amplifiers of effectiveness', 'formulae of effectiveness', and 'consequences of effectiveness'.

5.4 Research objective 3

In the process of the research, the Global Business Standards Codex developed by Bettcher et al. (2005) will also be tested to determine whether it serves well as a benchmarking framework. This will take place when analysing participant organisations' codes of conduct. Research findings will be used to provide recommendations on improving the codex. Together the codex and recommendations will serve as a framework for future code of conduct content development.

5.5 Conclusion

There is a vast amount of research and literature on codes of conduct. As has been shown, however, this literature also contains many inconsistencies regarding code of conduct effectiveness, and the lack of a suitable holistic approach in determining how codes of conduct can be made more effective.

Three research objectives were detailed, namely the development of a framework (termed formulae) for effective codes of conduct, detailing a multi-dimensional model for an effective code of conduct, and to test and improve the codex developed by Bettcher et al. (2005).

CHAPTER 6: RESEARCH METHODOLOGY

In the previous chapter certain limitations were described in existing literature motivating further research into code of conduct effectiveness.

Past research into code of conduct effectiveness has had inconsistent results, varying from having a positive impact on ethical behaviour in organisations, to little, or even negative impact on ethical behaviour. The first research objective was therefore to develop a benchmarking framework (termed formulae) that could assist ethics practitioners and organisations to effectively implement codes of conduct.

The second objective was to develop a multi-dimensional model for code of conduct effectiveness that incorporated aspects (termed amplifiers) that could enhance the propensity of a code of conduct to be effective, the formulae above, and the required outcomes of an effective code of conduct (termed consequences of effectiveness).

The application of the Global Business Standards Codex developed by Bettcher et al. (2005) was a further objective in researching the participant organisations' codes of conduct, and in so doing, the suitability of the codex as a benchmarking framework would be evaluated and recommendations on improvements proposed.

This chapter will detail the research design necessary to achieve the research objectives and explain the appropriateness of the research methodology in achieving these objectives.

6.1 Appropriateness of research methodology

Given the continued need to investigate the effectiveness of codes of conduct, a number of research options could be considered.

6.1.1 Quantitative versus qualitative research

The first choice considered was the decision on whether quantitative, qualitative or a mixed methodology would be most appropriate. Leedy and Ormrod (2005: 96) explain the characteristics of quantitative and qualitative research. From a quantitative approach the authors describe the purpose to be to explain and predict; to confirm and validate; and to test a theory. It is a focused process utilising established statistical guidelines and instruments. Data is analysed statistically and objectively, and results are described numerically. A qualitative approach's purpose is to describe and explain; to explore and interpret; and to build theory. It is a holistic approach that deals with unknown variables,

utilises emergent methodologies, and allows for personal views. The qualitative approach is loosely structured and utilises observation and interviews to gather data, and the data is analysed to determine themes and categories, and inductive reasoning is used to interpret the data. Findings are communicated in a literary style comprising words and narratives.

The advantage of quantitative research is that findings can be statistically substantiated and are objective, limiting personal bias. Qualitative research is more suitable for developing new theory and to describe and explain phenomena, however, the subjective nature of the research can introduce a level of bias into the research findings (Leedy and Ormrod, 2005: 106).

The research objectives, namely the development of a benchmarking framework (formulae); the development of a multi-dimensional model; and exploring the validity of the codex, suggest a qualitative approach would be more suitable – qualitative research has the propensity to improve code of conduct understanding through theory development which the qualitative approach would allow. Yet there is potential to test such the benchmarking formulae and model through quantitative research methods. Ideally, research into code of conduct effectiveness should comprise a mixed approach combining quantitative and qualitative approaches. For example, structural equation modelling was considered as the ideal statistical tool to test and measure the causal relationship between the proposed factors and amplifiers of effectiveness on the code of conduct's effectiveness. These results could further validate the qualitative research findings and support the theory development. However, as many organisations conduct their own internal surveys, and are wary of 'survey fatigue', it is difficult to conduct such research from an external position. This concern was confirmed during initial contact with participants when the researcher requested whether their organisations would allow the distribution of research questionnaires amongst employees – participants were unwilling to allow such research.

For this reason, the decision was made to utilise a qualitative research methodology

6.1.2 Qualitative research options

Qualitative research is a useful approach to gain insight into phenomena, and in this case, the phenomena of codes of conduct and the influencing factors of its effectiveness. The qualitative designs that are available are case studies, ethnography, phenomenological study, content analysis and grounded theory (Leedy and Ormrod, 2005: 108).

A case study is limited to one situation, person or entity, and is an intensive study, resulting in an interpretation of the situation, person or entity. Ethnography utilises observation and interviews to better understand behaviour within a group. A phenomenological study utilises unstructured interviews to understand individual perceptions of their experiences. Content analysis aims to identify characteristics of material through coding of the material and tabulation of these characteristics. Grounded theory aims to develop theory from data obtained principally in interviews through a process of coding and describing relationships between categories of data (Leedy and Ormrod, 2005: 108).

A case study would be appropriate in developing a deeper understanding of a particular organisation's code of conduct's effectiveness, but would be limited in developing theory that would be applicable to a range of organisations. Ethnography would be useful in understanding the evolution of corporate culture, and to some extent, the influence of the code of conduct on such culture, but would not be suitable in developing a benchmarking framework that details the influencing factors on code of conduct effectiveness. Similarly, a phenomenological study would focus more on individuals' perceptions towards a code of conduct, rather than answering questions on how their effectiveness could be improved.

Given the qualitative focus, grounded theory was determined the most suitable research design in order to achieve the research objectives of developing a benchmarking framework and multi-dimensional model for effective codes of conduct, while content analysis of participant codes of conduct provides a suitable approach in the third research objective of testing and developing the codex of Bettcher et al. (2005).

6.1.3 Grounded theory

Grounded theory is a process of gathering data, analysing and codifying the data, in order to construct a theoretical model (Leedy and Ormrod, 2005: 144). This approach provides a distinct alternative to previous code of conduct effectiveness research. It is the ideal method to develop new constructs regarding code of conduct effectiveness. The application of grounded theory in this research is described in more detail.

The advantage of grounded theory is its flexibility in facilitating new ideas and theory. This flexibility is paramount according to Charmaz (2006: 9) who states "I emphasize flexible guidelines, not methodological rules, recipes, and requirements ... (where) grounded theory serves as a way to learn about the worlds we study and a method for developing theories to understand them".

Charmaz (2006) further describes the process of 'constructing grounded theory'. The first step is gathering 'rich data' that is described as detailed data relevant to the situational and social context. Secondly coding the data and identifying common themes within the data. Thirdly, memo writing in order to identify ideas from the data. In this way emerging new ideas and theories are developed.

The most suitable 'rich data' collection method for grounded theory development is interviews. Interviews can be structured, semi-structured, or unstructured. Semi-structured interviews were opted for, which insured that relevant topics were covered, but allowed for flexibility in order to provide the interviewer and participants the opportunity to explore themes. Intensive interview questions were posed, which Charmaz (2011: 25) describes as asking "the participant to describe and reflect upon his or her experiences in ways that seldom occur in everyday life". Questions were open ended and the interviewer encouraged discussion, contemplation, voicing of opinions, all in a conversational manner.

Amongst other benefits, this mode of interview allows the interviewer to analyse perceptions and experiences of the interviewee on a deeper level, the exploration of certain topics, the ability to determine participants' feelings and thoughts, use social and observational skills to further discussion, and respect and express gratification for their involvement (Charmaz, 2011: 26).

Charmaz (2011: 30) observes that grounded theory and qualitative research in general show a predilection towards general, open ended questions. The author's concern was that humanities committees at academic institutions insist on very detailed interview schedules. The interview schedule developed by the researcher contained enough specific detail to satisfy the NMMU Research Ethics Committee (Human) requirements, while containing relevant open ended questions to satisfy grounded theory methodology. The application of intensive interviewing techniques also advances the satisfaction of grounded theory methodological requirements.

The second stage of grounded theory development is coding the data. Initial coding codes line by line and labels the line. Focused coding follows identifying frequent themes, and using these themes to organise the data. Various types of coding are available, namely word by word coding; line by line coding, and incident to incident coding. Incident to incident coding was opted for as a suitable means to code data within guiding question themes. Charmaz (2011: 46) has explained the value of coding in grounded theory and how it can be distinguished from quantitative data stating, that "the logic of grounded theory coding differs from quantitative logic that applies preconceived categories or codes to the data ... we

create our codes (grounded theory coding) by defining what we see in the data. Codes emerge as you scrutinize your data and define meanings within it".

Memo writing occurs throughout the grounded theory development process, but is specifically prevalent during and after the coding process, and has the following benefits: "develop fresh ideas, create new concepts, and find novel relationships ... demonstrate connections between categories ... build whole sections of papers and chapters" (Charmaz (2011: 85). Through memo writing and its propensity to create new ideas, new theory or models can be generated – an outcome required for the research objectives stated in Chapter 5 to be met.

The interview process and code of conduct content analysis allow for the gathering of valuable authentic data, and through the process of codifying the data and developing themes, can provide fresh insights into facilitating effective codes of conduct.

6.1.4 Sampling

Non-probability sampling was used in the determination of participant organisations. Grounded theory development relies on in-depth study of phenomena, and in this case, codes of conduct within organisations, and probability sampling are not requirements. Leedy and Ormrod (2005: 145) describe this type of sampling *purposeful*: "They select those individuals or objects that will yield the most information about the topic under investigation".

Organisations were selected from the FTSE Top 40 listed organisations on the Johannesburg Stock Exchange (JSE), as they reflected the largest listed companies in South Africa, had codes of conduct, and were all multinational organisations. Participation was primarily determined by the willingness of these organisations to participate.

6.1.5 Validity and reliability

There are two types of validity that can be considered in grounded theory research, namely internal and external validity. Internal validity refers to the "extent to which its design and the data it yields allow the researcher to draw accurate conclusions about cause-and-effect and other relationships within the data" (Leedy and Ormrod, 2005: 97). The grounded theory approach of collecting 'rich data', coding and memo writing would suggest that the results reasonably reflect the contributing factors to code of conduct effectiveness within participant organisations. It would have been beneficial to utilise multiple sources of data collection (triangulation) to provide stronger evidence of validity. However, as was previously detailed,

quantitative structural equation modelling was considered, although rejected due to 'survey fatigue'.

External validity refers to the applicability of research results outside of the study. In terms of the results (theory or model) being relevant and suitable to non-participant organisations, the validity requirement is met with certain limitations. As participant organisations are reasonably representative (nine of the JSE FTSE 40 firms) of the largest South African listed organisations, all of which are multinational organisations, the results and conclusions drawn are likely to be relevant and useful to large scale multinational organisations internationally. A limitation of the study is that the results may not be applicable for smaller businesses, non-profit organisations, non-listed businesses, and dissimilar organisations to those participating in the research.

Leedy and Ormrod (2005: 29) define reliability as "the consistency with which the measuring instrument yields a certain result when the entity being measured hasn't changed". Reliability could be displayed in a number of ways, such as similar results would be obtained over different time periods from the same participants, or from different participants from similar populations. It would be likely that the reliability requirement would be reasonably met as the intensive nature of grounded theory development would generate results that are consistent and applicable in similar studies over time or within the population of large multinational organisations.

The 'trustworthiness' of qualitative research requires that the research complies with the criteria of credibility, transferability, dependability and confirmability (Shenton, 2004: 73). Shenton (2004) suggests that credibility is achieved through the application of various provisions such as applying recognised research methods; understanding the ethical culture of the organisation; random sampling; triangulation; debriefing of participants; peer scrutiny of the research; and examinations of previous findings to frame findings. This criterion can reasonably be expected to have been met as grounded theory is a respected research methodology, organisations were well researched, and through the interaction with the researcher's supervisors, there was peer scrutiny. Aspects such as triangulation were, however, not achieved due to the difficulty of conducting quantitative research due to 'survey fatigue'.

The criterion of transferability is achieved through the provision of detailed background data to allow comparisons to be made (Shenton, 2004: 73). This criterion was achieved through the provision of background information of the organisations; their industry; and the context in which they operated. Dependability requires overlapping of methods to allow the study to

be replicated. The application of the codex framework and the provision of the detailed formulae for an effective code of conduct would support the dependability criterion as the study could be replicated in reasonable detail. The confirmability criterion requires the triangulation of research which did not take place in this research. A further aspect of confirmability according to Shenton (2004: 73) requires the admission of researcher's beliefs or assumptions; the recognition of shortcomings in the research and their implications; in-depth methodological descriptions; and the use of diagrams to provide an 'audit trail'. These aspects of confirmability were achieved in this research, hence the criterion of confirmability was reasonably met.

6.2 Data collection: Codes' of conduct content

The codes of conduct of participating organisations were obtained from either their websites when these were publicly available, or from the interview participants themselves. The analysis of these and supporting documents will be described further in this chapter.

6.3 Data collection: Interviews

Interviews were used as the primary data collection method in the qualitative research. This section will describe how interviews were arranged, conducted, and questions were asked. It will furthermore detail how the interview data were collected, analysed and coded for the purpose of grounded theoretical development.

In terms of setting up the appointment, the organisation was first researched using publically available information (for example organisational websites), to determine their ethics management structure and possible suitable ethics manager designation. Some organisations had helpful websites that specified the ethics management structure with the name of the chief ethics manager, such as company D. Most companies had information on corporate governance issues, but did not detail the ethics management structure or potential contact persons. This process was followed for 22 of the JSE FTSE 40 companies approached for participation in the research.

The companies were then contacted telephonically. Where the website had provided a contact name and number for the ethics manager, the process was simply a phone call to the manager. Others were not as easy.

Some difficulty was experienced in determining whom the ethics manager was, or what other designation served this function, or who had knowledge of the code of conduct and took responsibility for its implementation. Most receptionists seemed confused as to who would

be responsible for such a task. In these cases, they would be prompted by suggesting a number of functionaries, such as the legal and human resources departments, or the company secretary. This would result in some form of referral and connection to a particular department or person.

Once connected their position in the company would be explored to determine whether their responsibilities included ethics management and / or code of conduct implementation. With some companies determining who was responsible for ethics management was impossible. This could be a result of miscommunication between the researcher and the contact persons within the organisation, or indicative of an unclear ethics management structure within the organisation, and inefficient communication channels within the organisation.

An attempt would be made to speak to identified people within organisations and explain the reason for the research and encourage participation. This would be followed up with an email request. When telephonic communication was not achieved, an attempt was made to obtain an email address, and an introductory email was sent to the potential participant.

In complying with the NMMU Research Ethics Committee (Human) requirements, a participation request to conduct an interview with the individual was sent to the identified individual within the organisation. This letter also detailed the rationale for the research, the motivation for their participation, confirmation of ethics approval, the voluntary nature of participation, confirmation of the maintenance of confidentiality, the right to withdraw from participation, contact information of the researcher and the NMMU Research Ethics Committee (Human), the anticipated duration of the interview, and the commitment to provide the participant with a report of the findings.

The participation request was then emailed to the individual identified during the initial contact with the organisation. This elicited a number of responses. Some individuals did not respond, some responded with suggestions of alternative contact persons they felt more suitable for participation in the research, some immediately declined, and some accepted. Those that declined to participate cited primarily personal time constraints or company policy restrictions as reasons for their inability to participate.

Where alternative contact persons were suggested, the researcher would try to contact them telephonically and follow up with a newly drafted participation request. When an individual agreed to participate, the researcher would make arrangements with the participant to meet at a suitable time and place. This process took a number of months until nine interview appointments were finalised in Johannesburg, Durban and Cape Town. All interviews were

conducted personally at the organisations' offices. Interviews varied in duration between 60 and 90 minutes.

Table 2 indicates the designations of persons interviewed. They ranged from ethics officers, company secretaries, to those with functional responsibilities in the risk, legal and human resources divisions.

Table 2: Interview participant designation and functional responsibility

Organisation	Designation	Functional division / responsibility
A	Chief ethics officer	Risk
B	Fraud management	Risk
C	Forensic management	Risk
D	Chief ethics officer	Company secretary
E	Anti-bribery and corruption manager	Risk
F	Company secretary	Company secretary
G	Legal counsel	Legal
H	HR Manager	Human Resources
I	Company secretary	Governance

 (Titles and divisions renamed to retain confidentiality)

Two pilot interviews were conducted with companies D and I. Company I was provided with the interview schedule prior to the interview, while company D was not provided with the interview schedule prior to the interview. The benefit of the interviewee seeing the interview schedule prior to the interview was that they would have an opportunity to consider the topics raised and gather additional information they might need to provide answers to the questions. The disadvantage though is that participants could lack spontaneity, providing prepared answers, and be prejudiced towards certain topics in the interview. It was found that the provision of the interview schedule to company I created anxiety for the participant who felt 'unsure' how to answer some questions. For example, she had not been involved in the development of the code of conduct and felt she was unable to provide detailed information on how this happened. The interview did not elicit as much reflection on the issues and topics raised as was the case in the interview with company D. The interview with company D was more dynamic with the participant discussing ethical issues on a more introspective level. Based on this all future interview participants were not provided with the interview schedule prior to the interview.

Intensive interviews were then conducted. Permission from participants to record the interview was requested. The benefits of recording the interviews were the detail of

information garnered from the interview, the ease of conducting the interview, and the more intensive interaction between the researcher and participant. Three of the nine participants opted to disallow recording due to the concern that their opinions or confidential and sensitive organisational information might be disclosed or compromised in the public domain. When conducting these interviews, notes were made as the interview took place. In both instances, the interviews were transcribed within a week of the interview to ensure that pertinent information was detailed in the transcription.

The interviews were structured as follows: The researcher, as interviewer, would detail the terms of the interview such as confidentiality and the right to withdraw; then describe the rationale for the research and process of the interview. The participants were asked to describe their organisation's ethics management programme and what role the code of conduct played in supporting this programme. General, open ended questions resulted in richer insights and perceptions from participants on ethics management within these organisations.

During discussions, participants were probed on specific topics and issues raised for a deeper understanding of their impact on ethics management and code of conduct analysis. The researcher then checked the interview schedule to ensure that all important and relevant topics had been covered, asking clarifying questions when needed. Finally, the researcher asked the participants whether they had any concluding comments on issues pertaining to the effectiveness of codes of conduct. During some interviews, certain supporting documents were discussed and, when suitable, the researcher asked permission to analyse these documents. In many cases the participants were comfortable with providing copies of these documents that were provided at the interview or emailed subsequently to the researcher. The participant was then thanked and the interview was concluded.

6.4 Data analysis: Codes' of conduct content

The content of the code of conduct was analysed by making use of the Global Business Standards Codex developed by Bettcher et al. (2005: 125 - 131). The codex benchmarks the content of corporate codes of conduct in terms of common principles and standards contained in them. While there has been numerous research and recommendations on provisions of codes of conduct as mentioned in the literature review (KPMG Business Codes of the Global 200, 2008; Kaptein, 2004; Madden and O'Dwyer, 2006; and Kolk and Van Tulder, 2002) the codex identifies themes in particular detail, and is therefore useful in analysing participant organisations' codes of conduct – as detailed in Appendix 4.

The process followed in the analysis was firstly perusing the different sections of the codes of conduct and an initial evaluation of the code of conduct including aspects such as content, tone, focus, appeal, readability, scope and usefulness – such as those noted in Table 3.1 of Appendix 3. A critique of the Codex is that while it covers content of codes extensively, it fails to identify key attributes in codes of conduct that contribute to their effectiveness, such as the choice between an aspirational versus a directional code of conduct, while Table 3.1 of Appendix 3 provides a keener understanding of the codes of conduct.

The provisions of the code of conduct were then studied a paragraph at a time. These paragraphs were then categorised into the various principles and standards described in the codex and noted on the spreadsheet (Tables 3.2 – Tables 3.9 of Appendix 3) for the number of times they were applicable – this in order to provide an understanding of their relative importance. A reference was also noted on the code of conduct itself for ease of referral. A further spreadsheet, Table 3.10 of Appendix 3, was developed while analysing the codes of conduct to categorise content that could not be attributed to the codex. This process was followed with every paragraph of every code of conduct of participating firms until the spreadsheets were complete and totals calculated.

6.5 Data analysis: Interviews

The first step in analysing the data was to review the transcripts of the interviews and allocate them to the guiding questions of the thesis. The second step was the initial coding of the interview on an incident per incident method. Each sentence and paragraph was analysed to determine themes. These were detailed in a spread sheet with the sentence content summarised and a theme ascribed to the sentence. Note that this spread sheet is not included in this document as an appendix to protect the identity of the participants and the organisation's identity. The third step was to combine various themes identified into categories.

Once this initial coding was complete, a process of memo writing was conducted to identify emerging ideas and theories. Through this process, two key aspects to theory development were identified: Consequences of effectiveness and amplifiers of effectiveness.

The consequences and amplifiers of effectiveness will be developed in finer detail in Chapters 7 and 8. At this point, consequences can be regarded as the expected impact that codes of conduct can have on an organisation's business ethics, while amplifiers are conceptual approaches to improve code of conduct effectiveness. For the purposes of data analysis, these concepts were used in further codifying the data. Appendix 3 contains the

initial codifying of data into categories, themes, requisite criteria, and applicable amplifier – these were in turn related to their impact on the consequences of effectiveness.

Appendix 5 codified the amplifiers and described what action was required by organisations to maximise the influence of the amplifiers on the effectiveness of codes of conduct. Appendix 5 was the foundation for the proposed formulae for an effective code of conduct – a refined, grounded theory based approach to improving the effectiveness of codes of conduct. The proposed formulae for an effective code of conduct will be described in detail in Chapter 8.

6.6 Ethical considerations

Ethical considerations that were upheld by the researcher in conducting the research included informed consent; voluntary participation; the right to withdraw from participation; confidentiality was maintained; and participants were assured that intellectual property would be protected.

The participants were advised, both verbally and in writing, of the purpose of the research, allowing them to make an informed decision as to whether they wished to take part in the research or not. Participants were advised that participation was voluntary and that they had the option to take part or not. All participants were afforded the opportunity to withdraw from the research at any time for any reason. It was noted that anonymity could not be assured due to the nature of the face-to-face interviews in the qualitative research. All participants were advised of this fact.

Organisations participating in the research were not named in the research report, and confidentiality was assured. Participants were, however, advised that they were selected from the JSE FTSE Top 40, and by inference, a reader of the report may deduce their participation. The researcher respected the intellectual property of participating organisation such as codes of conduct and various policy documents provided to the researcher. The researcher also credited all sources of information in the research document and reference list.

The researcher obtained ethics approval from the NMMU Research Ethics Committee (Human) to conduct this research (Appendix 1). All participants signed to confirm their voluntary consent to participate in the research, and a suitable organisational representative confirmed, in writing, that the researcher may conduct the personal interview with the chief ethics officer or person of similar designation, and that the researcher may analyse the

organisation's code of conduct and any other relevant document provided or that was publicly accessible.

6.7 Conclusion

Grounded theory methodology, by means of interviews and code of conduct content analysis, is a suitable method to research code of conduct effectiveness and is appropriate in that it can provide new insights into the understanding of the influencing factors on effectiveness.

In-depth interviews have the ability to produce valuable data, and through grounded theory requirements of coding and identifying common themes, and through inductive interpretation, can result in the development of new theories and models on code of conduct effectiveness – a necessity for achieving the research objectives of developing a benchmarking framework (formulae) and model for an effective code of conduct. From a content analysis perspective, the codex is a useful framework with which to analyse code of conduct content, and provide the opportunity to meet the research objective of testing and enhancing the codex attributes.

The adoption of this methodology and results obtained will be discussed in the following chapter.

CHAPTER 7: RESEARCH FINDINGS

In the previous chapter the research design and methodology were outlined. Content analysis and interview categorisation were used to understand the factors that influence the effectiveness of codes of conduct. In this chapter the findings of the research are discussed, starting with the content analysis.

7.1 Document content analysis

Participating organisations' codes of conduct were analysed using the codex developed by Bettcher et al. (2005). The analysis was supplemented with an evaluation checklist developed by the researcher as well as utilising the ideas of Rossouw and Van Vuuren (2010: 243-244). This was done in order to compensate for the weakness of the codex, namely a lack of attention to factors such as the tone of the code of conduct, reference to values and principles, the use of graphics, and the length of the code of conduct, to name a few shortcomings. A secondary document content analysis included code of conduct supporting documents found on organisations' websites and obtained directly from interview participants.

The document content analysis aims to provide insight into how the architecture and composition of codes of conduct can influence their effectiveness.

7.1.1 Content of the code of conduct

The codes of conduct were analysed by means of an evaluation checklist and principles described by the codex.

While nine organisations participated in the research, the content of two codes of conduct were analysed for organisation C – their existing code of conduct and revised code of conduct. Therefore, a total of 10 codes of content were analysed with regard to their content.

Evaluation checklist

The wider evaluation of the scope of content is detailed in Table 3.1 of Appendix 3. It contains explanatory notes at the bottom of the table providing some insight into the codes of conduct, namely that company A had utilised the codex itself in benchmarking the revision of their code of conduct, company B was currently revising their code of conduct and that the analysis was based on their existing code of conduct, and that company C was in an advanced stage of revising their code of conduct and the analysis covered both their current

and future code of conduct to provide some insight into how the code content was revised. Company E's code of conduct was developed in the United States of America. Company F's code of conduct is a summary of key issues supplemented with an extensive sustainable development document that details ethical responsibilities. Company I was considering revising their code of conduct reflecting that their code of conduct was not aligned with the values and culture of the organisation.

The evaluation firstly explored whether the code of conduct was aspirational (values based) or directional (rules based). It was found that while all had some degree of a combination of the aspirational and directional components, four were aspirational, three were directional, and one, a true combination of the two. This means that there is not a strong bias in favour of one over the other, but could rather be indicative of the code reflecting the nature of the organisation and the context in which it operates.

The context is a complex issue, but refers to the evolution of a code of conduct within organisations that is suitable to the organisation itself and to the industry and external environment of the organisation. For example, organisation A in the financial services industry, employed a relatively higher level of educated employees who would be able to interpret and apply their aspirational code of conduct, while organisation I in the retail industry opted for a directional code of code of conduct that specified behaviour requirements, such as the interaction of members of the organisation with suppliers, that was not anti-competitve and which did not result in any conflict of interest

Company C's codes of conduct (existing directional code of conduct and proposed aspirational code of conduct) reflected a definite move from a directional towards an aspirational code of conduct suggesting that there is a tendency for companies to move towards aspirational codes of conduct. This tendency was further supported in the interview results with organisation B and I suggesting that future code of conduct revision would be towards a move aspirational focus in their codes of conduct.

The analysis explored whether the codes of conduct contained examples of expected behaviour, which could potentially help individuals better understand and remember the content of the code of conduct. Half of the codes of conduct did provide some specific examples of expected behaviour in their codes. None of the codes of conduct analysed contained supplementary guidelines.

Eight of the organisations reflected on their mission and values, while half of the codes of conduct contained an introductory letter from the chief executive officer or similar designation signifying a strong strategic focus in most codes of conduct.

Only four of the codes of conduct contained a content's page. A content's page could assist individuals wishing to refer to specific areas of the code of conduct for guidance.

Only four of the codes of conduct included a section requiring employees to sign acceptance of the provisions of the code of conduct, although there may be other mechanisms available within participating organisations such as annual declarations signifying their acceptance and understanding of the code of conduct provisions.

Three codes of conduct refer to global codes of conduct and only one organisation's code of conduct made reference to professional or industry related codes of conduct. Three organisations had separate codes of conduct for suppliers that could be a reflection of their industry and the relationship they have with suppliers as well as the need to ensure adherence to minimum labour and global business standards. All but one of the organisations referred to other documents or policies for more details relating to specific codes. This could be an attempt to keep the code of conduct to a reasonable length and to provide more detailed information relevant to a specific area in a separate document.

Six of the codes of conduct utilised more inclusive terms such as 'us' and 'we', while seven of the codes of conduct reflect positive behaviour expected from members of the organisation rather than condoning negative behaviour. For example, organisation A's code of conduct used inclusive terms such as 'our reputation'; 'our values'; 'our purpose' and 'we should'; 'we need to'; 'we promote'. This is in contrast to organisation B's code of conduct that distinguished between 'the group' and 'employees' in the wording of the code of conduct. Eight of the codes of conduct were motivational to a greater or lesser degree, which again could encourage support and adherence to the code of conduct. Organisation E and G both took the approach of introducing the code of conduct by detailing their mission, vision, values and principles – adherence to the code of conduct was seen as a natural expectation the organisation required from their members in fulfilling the organisation's mission, visions, values and principles.

All of the codes of conduct were suitable to a global audience and reflected the global nature of these multinational organisations. Six of the codes were visually appealing and easy to read. Some companies had put much effort into producing well-designed codes of conduct some of which were published in a glossy format and distributed as such to employees.

Only three of the codes of conduct facilitated recallability. The other codes were too bulky, written in complex language, and were generally not user friendly. Five of the codes of conduct used visuals – a useful technique to overcome language barriers and facilitate understanding and recallability. Organisation H used cartoons to depict the positive benefit of ethical behaviour with friendly smiling figures. Organisations A, E and G had professionally designed publications of the code of conduct, with aesthetically pleasing photos and design.

Six of the codes of conduct provided details on misconduct procedures and whistleblowing mechanisms that are available to facilitate reporting of misconduct and provide a better understanding of the consequences of misconduct.

Eight of the codes of conduct allow for discretionary decision-making which should encourage ethical decision-making when facing ethical dilemmas and ensuring that members of the organisation do not use the lack of specific codes as an excuse for their misconduct. Only five of the organisations encouraged employees to seek guidance if they were unsure of the correct course of action.

The difficulty of adopting an aspirational code of conduct is the potential limitation in being able to enforce provisions of the code and five of the codes of conduct are problematic in terms of enforcing the provisions detailed. Six of the codes of conduct made specific reference to statutory regulations while the others referred to legal compliance in more general terms.

A balance is needed between codes of conduct containing the best possible content without becoming too bulky. The length of the codes of conduct was generally quite long with only two codes of conduct managing to contain less than 10 pages. Most of the codes of conduct were too long and this in turn limited their use, understanding and recallability.

Rossouw and Van Vuuren (2010: 243 – 244) suggest that certain categories are normally found in codes of conduct. The participant organisations' codes of conduct were also analysed to determine whether these categories were in place – Table 3 below.

Table 3: Extract from Table 3.1 of Appendix 3 – Analysis of codes of conduct against Rossouw and Van Vuuren's recommended content provisions (2010: 243 – 244)

Rossouw and van Vuuren recommended content (2010: 243-244)										
Does it provide rationale for the Code?	yes	yes	yes	yes	no	no	no	no	yes	no
Does it espouse ethical values, principles or standards?	yes	yes	no	yes	yes	yes	no	yes	yes	yes
Does it provide guidelines for conduct?	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Does it provide guidelines for ethical decision making?	yes	limit	no	yes	limit	yes	yes	yes	yes	limit
Does it provide guidelines on sanctions for misconduct?	no	no	yes	yes	limit	yes	no	yes	yes	yes
Does it provide references to other resources?	yes	no	no	yes	yes	yes	yes	no	no	no

Only five of the codes analysed provided a rationale for the code of conduct. Organisation A details how the organisation's complexity required codification of their values in a code of conduct; organisation B's code of conduct highlights the role the code of conduct is expected to play in raising ethical awareness and guiding employees; human rights commitment and stakeholder responsibility were cited as the purpose for organisation D's code of conduct. Eight of the codes detailed the organisations' ethical values, principles or standards; all of the codes provided guidelines for conduct; nine of the codes provided to greater or lesser degree guidelines for ethical decision-making; seven provided some number of guidelines on sanctions for misconduct; while only five provided reference to other resources.

The code of content analysis makes use of the Global Business Standards Codex developed by Bettcher et al. (2005: 125 - 127). The codex, as detailed earlier in this document, is a framework developed by Bettcher et al. to provide guidelines for organisations in developing their codes of conduct, and was developed by benchmarking standards included in a wide range of organisational codes of conduct. The codex consists of eight principles, which are further broken down into concepts, constituencies, and standards.

A number of the standards detailed in the principles overlap leading to some duplication of data in these findings. For example, excessive gift giving is covered to some extent in the fiduciary, property, transparency, fairness, and citizenship principles. That is not necessarily a weakness of the codex, but rather a reflection of how values (or principles) within codes of conduct impact a range of ethical behaviour requirements.

The code of content analysis findings are detailed in terms of the principles proposed by the codes.

Fiduciary principle

The code of conduct content analysis with reference to the fiduciary principles detailed in the Global Business Standards Codex developed by Bettcher et al. (2005: 125 - 127) is reflected in Table 3.2 of Appendix 3. The term 'fiduciary' relates to the trust placed in the organisation

to further the interests of its various stakeholders, and the trust placed in members of the organisation, to further the interests of the organisation. Therefore, the fiduciary principle implies that members of the organisation further the company's interests diligently and loyally.

The first standard specified by the fiduciary principle requires members of the organisation to promote the interest of the company and its shareholders diligently. All codes of conduct covered this wide encompassing requirement and were mentioned a total of 53 times signifying its relative importance in codes of conduct. Organisation A related this requirement to one of their key principles, namely caring for the organisation, while organisation D's code of conduct required that business activities should further the interests of the organisation. Illegal activities are prohibited citing the resultant potential financial and reputational loss that could be incurred from such activity. Achieving competitive advantage for organisation H should not be achieved through unethical practices. Acting responsibly by organisations G, H and I included the obligation that the organisation has towards stakeholders such as the environment, government and regulators, and the communities in which they operated.

The requirement to maintain the company's economic health was covered in seven codes of conduct with a total mention of 15 times. Organisation F required members of the organisation to use 'good judgement' to ensure company assets are not misused. Organisation G's code of conduct mentions that the pursuit of personal interests should not be to the detriment of the organisation – such as placing excessive demands on employees' time, which would negatively impact the interests of the organisation. In order to ensure the organisation's communication with the public does not harm its reputation; all outside communication by organisation G must be authorized.

Safeguarding the company's resources was covered in all but one of the codes of conduct and was mentioned a high 27 times. Some codes of conduct specified what assets were to be protected – organisation A mentions buildings, vehicles, computers and furniture. Organisation C specifies that company assets may only be used for business purposes, with a proviso that in exceptional cases, a senior manager may make an exception for an employee. The organisation also refers to the requirement of protecting intellectual property of the organisation, and specifies that patent rights of any invention by employees belong to the organisation. Organisation E refers to the need to protect business information, such as 'trade secrets' and manage the dissemination of information in a responsible manner. Proper maintenance of assets was a topic discussed in organisation D's code of conduct, while

organisation F and I referred to the responsibility members of the organisation had towards ensuring company resources were not misused, damaged or wasted.

The codex standard of refraining from giving excessive gifts and entertainment was covered by seven of the codes of conduct. Providing a fair return on investment for investors was only covered in two of the codes of conduct, for example organisation A required members of the organisation to always strive towards making a profit in an ethical manner.

From a loyalty perspective, the fiduciary principle required members to not use company resources for their personal gain. Nine codes of conduct provided such a requirement and it was mentioned a total of 29 times. Organisation E's code of conduct is explicit in this regard stating that decisions should strictly be made without regard to personal gain. Although not detailed in the codex, organisation A refers to members of the organisation avoiding private activities that could bring the organisation into disrepute – a possible loyalty concept for codes of conduct to include – as well as a requirement for members of the organisation to protect the organisation's reputation.

The standard to disclose potential conflicts of interests was covered by the same nine codes and mentioned 15 times, while the standard of refraining from activities that were in conflict of interest, was covered by all the codes and also mentioned 15 times. Organisations A, E and I refer to avoiding actual conflicts of interest, but take the requirement slightly further, in requiring members of the organisation to avoid perceived conflicts of interest as well – even in the situation when there was no conflict of interest, if there was a possibility of it being misconstrued as a conflict of interest, the activity should be avoided. An annual declaration of potential conflicts of interest is required by organisation G's code of conduct.

Organisation B and G clearly define what a conflict of interest is and guide employees in their dealings with clients, customers and suppliers while also detailing guidelines when faced with potential conflicts of interest. Organisation E provides a number of examples to clarify potential conflicts of interest, one of which is a scenario where an individual is employed as a buyer who wishes to purchase goods from his wife's company, in which case the employee is required to disclose the potential conflict of interest. Outside employment or business interest that detracted from the employees' ability to perform their duties was also deemed a conflict of interest by organisation H's code of conduct.

Refraining from receiving excessive gifts and entertainment was covered by nine codes of conduct, while refraining from pursuing personal benefits through their position or company resources was restricted in all of the codes of conduct and mentioned a high 21 times.

Organisation I strictly prohibited receiving any money or gift by an employee for facilitating any transaction. Organisation B and C specified monetary value limits to acceptable gift giving. They also covered acceptable hospitality from suppliers, such as lunches, tickets to sporting events and holidays.

Organisation I's code of conduct found gift receiving acceptable when gifts were advertising material of little value. Organisation C prohibits receiving cash as a gift. Organisation A requires employees to make decisions objectively and to be responsible when giving or receiving gifts. Both organisation A and G make mention of loans as a possible variation on a gift from a supplier or client, and these were specifically prohibited. From a global perspective, organisation D refers to customary gift giving where it could cause embarrassment if gifts are refused, in which case, the code of conduct requires the employee to disclose the gift to a superior manager. Similarly, in organisation E, gift giving and receiving are reviewed by their ethics office on a case-by-case basis to ensure sensitivity to local custom. Organisation H's code of conduct referred to their anti-bribery policy document for guidance on gift giving and receiving.

Insider trading restrictions were covered in eight of the codes of conduct and mentioned 18 times. Organisation B required members of the organisation to refrain from using material non-public information in making investment decisions and detailed the acceptable limit of investments by members of the organisation in listed companies. A comprehensive definition of insider trading with supporting examples is provided by organisation E's code of conduct. Organisation C's code of conduct refers to their policy document on insider trading

Most of the codes of conduct covered the fiduciary principles well with some going to some length to cover these principles. The notable exception was the limited coverage by only two codes of conduct on the requirement to provide investors with a fair return on investment – the obligation to strive for profitably was covered in organisation A's code of conduct while organisation D's code of conduct encouraged members of the organisation to advance the organisation's activities and business. It could be speculated that this requirement is assumed in the other organisations' codes of conduct – notably the general requirement to act diligently would encompass the requirement to further investors' interests.

Property principle

The fiduciary principle can be regarded as the paramount principle, while subsequent principles are more specific in terms of standards required. This results in some duplication when analysing codes of conduct with the codex. This is evident in the second principle,

namely the property principle. For example, the fiduciary principle of acting loyally and diligently would assume members of the organisation respect company assets and competitors' property rights that are detailed in the property principle.

The code of content analysis with reference to the property principle detailed in the Global Business Standards Codex developed by Bettcher et al. (2005: 127) is detailed in Table 3.3 of Appendix 3.

All the codes of conduct covered the requirement to protect the company's assets and information in some detail as this was mentioned a total of 44 times. The responsibility the organisation has to shareholders in safeguarding their assets was detailed by organisation E's code of conduct. Organisations A, C, D, and G require the safeguarding of a range of corporate assets including intellectual property. Organisation G specifies that company assets may only be used for business purposes.

The necessity to maintaining confidential information belonging to the organisation continues after termination of employment according to organisation B's code of conduct. Organisation C requires employees to report any misuse of company assets, while organisation D requires that management ensure effective controls are put into place to protect the organisation's assets. Organisation I's code of conduct requires employees to adhere to such controls that have been implemented to protect company assets. Public communication regarding the organisation was subject to authorisation in organisation G's code of conduct. Violence in the workplace with resultant damage to property was detailed in organisation I's code of conduct.

The specification to not commit theft was covered by eight of the codes of conduct, although it could be assumed that the general requirement to safeguard company assets precluded theft. Organisation A's code of conduct requires that employees refrain from illegal activities, both at work, and in their private life. Organisation B's code of conduct also includes a blanket clause not to commit illegal activities and explains how it has introduced internal control mechanisms to protect the organisation against fraud and dishonesty. Organisation C's code of conduct states that the organisation is striving towards a 'culture of intolerance' towards all forms of criminal activity.

Respecting competitors' property rights including intellectual property was only covered in four of the codes of conduct. The honouring of all confidential information was a requirement of organisation A's and E's code of conduct, which would imply respecting rivals' intellectual property. Organisation H's code of conduct was clear on the issue and specified that

acquiring information on competitors by unethical means was strictly prohibited. Notably, three of these codes that did not contain such a provision were from organisations in the mining industry, an industry that would experience different competitive pressures than most other industries – they are competitive in terms of resource acquisition and exploration, but their product or resource is relatively standard at prices determined by international supply and demand forces, rather than technological advances or sales and marketing drives.

Reliability principle

The code of content analysis with reference to the reliability principle detailed in the Global Business Standards Codex developed by Bettcher et al. (2005: 127) is detailed in Table 3.4 of Appendix 3. The reliability principle refers to the honouring of commitments whether embodied in contracts or not.

This is an area that was not extensively covered by the codes of conduct analysed – this principle may have been better incorporated into the transparency or fairness principles that do have relevance to reliability.

Paying suppliers on time and on agreed upon terms was only dealt within four codes of conduct. For example, furthering the interests of creditors in terms of paying them on time, or requesting extensions on periods to pay them, was specifically covered in organisation B's code of conduct. Organisation G was more subtle in advocating "mutually beneficial and long term ethical relationships" with parties, while organisation H's code of conduct required the organisation to act with integrity towards suppliers – an assumption would be that this would include paying suppliers on time and honouring contractual obligations.

The requirement to honour all promises and agreements and fulfil implicit and explicit obligations were vague and general in nature – six codes of conduct referred to some or other requirement related to these general requirements of reliability. Organisation B's code of conduct required the organisation to uphold both the 'letter and spirit' of all contractual obligations. Competing fairly as to not prejudice suppliers was included in organisation I's code of conduct and could also be applied to the reliability principle of honouring implicit obligations.

Transparency principle

The transparency principle refers to doing business truthfully and openly, to refrain from deceptive actions, disclose relevant information, and maintain objectivity. The analysis of codes of conduct according to this principle is detailed in Table 3.5 of Appendix 3.

The first standard was a general requirement that members of the organisation be honest and all but one organisation referred to this requirement and it was mentioned a high 39 times in the various codes analysed. Organisation B's code of conduct details how the code of conduct does not replace human ethical values and requires that members of the organisation be guided by their conscience as to what is right and what is wrong. A theme that continues through their code of conduct in sections such as communications, conflicts of interest, and competitive behaviour. Organisation C talks of their non-tolerance for illegal activities and how the organisation will take action against perpetrators of such activities.

All the codes of conduct covered the requirement to record transactions accurately. Dealing with suppliers and partners honestly was only specified in seven of the ten codes of conduct. The importance of a fair and lawful relationship with suppliers was highlighted in organisation E's code of conduct, while organisation A's code of conduct dealt with this topic in terms of not giving or receiving gifts for the purpose of influencing decision-making between suppliers and the organisation. Organisation G's code of conduct required suppliers to adopt the organisation's values and principles in order to retain a long term relationship with the organisation.

Refraining from deception in customer related activities such as marketing and sales were covered in only six of the codes of conduct, but cognizance needs to be taken of the fact that three of the codes of conduct related to the mining industry, which does not conduct sales or marketing activities in its normal course of business. Organisation D in the health and pharmaceutical industry refers to the codes of marketing practice that are applicable to the industry and the requirement to adhere to these codes, while organisation F's code of conduct reflected a dedication towards marketing their products in a responsible manner and within legal and regulatory constraints. Organisation H in the financial and insurance sector has a significant sales and marketing aspect to the business, and their code of conduct specifies that communication and marketing be accurate, and prohibits concealment and overstatement of information.

Deception in acquisition of competitor commercial information was mentioned in seven of the 10 organisations. Organisation B prohibits improper acquisition of competitive information, and while this may not have been specifically mentioned, organisations such as A and G include requirements to deal with competitors in an acceptable manner, which would preclude deception. Fair competition was encouraged by organisation E's code of conduct, in fact, it encourages 'vigorous competition' with a prohibition of activities that amount to

restraints of trade. Similarly, organisation H's code of conduct aims to achieve competitive advantage in an ethical manner.

Disclosure of material information was the next section of the transparency principle. Disclosing timely financial and non-financial information were covered by nine of the codes of conduct, while eight codes of conduct addressed the need to transparently report financial information. Eight codes of conduct covered the necessity to provide investors with relevant, accurate and timely information. Organisation A's code of conduct further requires disclosure of not only the organisation's successful ventures, but also challenges that the organisation may be facing. Organisation G's code of conduct requires that the disclosure of information be in an 'understandable language'.

A shortcoming in the codes of conduct relates to them addressing the disclosure of health and safety information to customers that were only covered by one code of conduct, and the provision of accurate information on the content, use and maintenance of products, were only covered by three of the codes of conduct. Organisation A's code of conduct broadly covered this principle by detailing the need to provide products and services of suitable quality that met customer needs. It also highlighted the importance of developing long term relationships with customers based on superior customer service. Organisation E's code of conduct contains a commitment to safeguarding the health and safety of customers and provided examples of how this could be achieved such as the disposal of hazardous materials and removal of safety hazards in their operations. The requirement to provide employees with reasonable notice of operational changes that may affect them was also poorly addressed by the codes of conduct, with only two organisations covering this provision.

Communicating in an open and honest manner was covered to a greater or lesser extent by nine of the codes of conduct. Organisation A's code of conduct encourages a culture of open communication and stresses the importance of not communicating false, misleading, or malicious statements. It also mentioned the importance of leaders setting the example by 'walking the talk' which can also be related to open and honest communication by their leadership.

Communicating and consulting with communities on environmental, health and safety aspects were briefly covered by eight codes of conduct. Organisation C's code of conduct was specific in this regard specifying the importance of addressing the needs of local communities and fostering mutually beneficial relationships through a process of communicating and consulting with communities. In the face of serious safety and health

risks, organisation G's code of conduct committed the organisation to support their employees and the community in addressing these risks.

By inference, organisation A's code of conduct covers this principle when requiring the organisation to be responsive towards the communities in which it operates, respectful of the dignity and human rights of all stakeholders, and mitigating their environmental impact. Organisation B's code of conduct addresses the need to provide a safe working environment, reports potential health risks due to the organisation's activities, and addresses the negative impact the organisation may have on the environment through pollution control, waste management and rehabilitation exercises. Organisation D requires suppliers, through their suppliers' code of conduct to also take cognisance of their impact on communities.

The requirement to adhere to independent auditing and financial reporting was covered by eight of the codes of conduct.

Dignity principle

The dignity principle covers respect for the individual, health and safety, privacy and confidentiality, the use of force, freedom of association and expression, learning and development, and employment security. The analysis of participating codes of conduct against this principle is detailed in Table 3.6 of Appendix 3.

Respecting the dignity and human rights of others was covered in detail by all of the codes of conduct that mentioned this standard a total of 36 times. Organisation G's code of conduct suggested that members of the organisation act with cultural sensitivity in their activities and respect customs, traditions and values of communities where they operate. Organisation A prohibited victimisation, intimidation, offensive language, and improper communication. Adopting work practices that respected employees and their human rights were covered by nine of the codes of conduct and this area was again covered in reasonable detail with 22 mentions. Respect for the dignity of the individual was described as a core value in organisation H's code of conduct.

Eight codes of conduct covered the prevention of harassment at work with organisation A referring to sexual and all other types of harassment being prohibited in the workplace. Organisation B and I contained various provisions of the South African constitution deemed discriminatory, and prohibited harassment or unfair discrimination based on factors such as race, sexual orientation, gender, colour, creed, and citizenship. Humiliation, bullying, threatening behaviour, abusive language, and offensive material were also mentioned in organisation C's code of conduct. Victimisation of employees reporting misconduct was

expressly prohibited by organisation E's code of conduct. Organisation E's code of conduct also detailed various forms of harassment, stating that harassment resulted in a hostile working environment, which violated one of their key principles of respecting the individual.

The preference of suppliers who adopted similar standards of dignity and human rights were only provided for in one code of conduct. Supporting human rights within the company's sphere of influence was covered by seven of the ten codes of conduct.

All the codes of conduct covered protecting human health and safety and mentioned a relatively high number of 18 times. Ensuring products and services were safe to use was only covered in two of the codes of conduct. Workplace safety was provided for in all the codes of conduct. Organisation G's code of conduct highlighted the fact that it was not only the organisation's responsibility to provide a safe environment, but that there was a 'collective accountability' for health and safety that necessitated individual members of the organisation fostering a safe working environment.

Substance abuse in the workplace was addressed by seven of the codes of conduct. Organisation C's code of conduct strictly forbade anyone working under the influence of alcohol or drugs, and also referred employees to their policy document on the use of alcohol and drugs. While organisation E's code of conduct detailed when there may be an exception to this rule, such as attending social events, provided consumption is within acceptable limits and the employee would not be returning to the workplace. Once again, only one company provided for preferential supplier treatment for suppliers adhering to international labour standards on health and safety – organisation D also required suppliers to comply with their supplier code of conduct that contained provisions in this regard.

Respecting customers' privacy and protecting confidential information were covered in all the codes of conduct except those of the mining companies, which do not have that type of customer relationship that would need to be addressed. Some organisations, such as organsation A's code of conduct went into some detail to clarify this obligation, and incorporated aspects such as securing confidential information and not misusing such information. Organisation B's code of conduct prohibited the dissemination of customer information to third parties, unless the customer authorized such communication, or the organisation was compelled by legal requirements to provide such information. Employee privacy and respect for their confidential information were covered in eight of the codes of conduct, with organisation C's code of conduct assuring employees that their personal information was valued and would be safeguarded.

The use of force was poorly covered in the codes of conduct analysed, although it could be argued that this is intuitively covered by the general concept of respecting the dignity and human rights of the individual. Abstaining from the use of forced or child labour was only covered in five codes of conduct, such as organisation D's code of conduct that stated its commitment to international labour and employment rights including the commitment to stop compulsory labour and support the abolition of child labour. Organisation H's code of conduct categorically stated the organisation would not tolerate forced or child labour.

The requirement that security personnel comply with international standards on the use of force was covered by six codes of conduct, and contribution to the elimination of forced labour and abusive labour practices were covered in four codes of conduct.

The right to free association and collective bargaining was covered in only four of the codes of conduct, and preferential treatment of suppliers upholding the right to freedom of association and collective bargaining was only mentioned in one code of conduct. Respecting customers' cultures was addressed in five codes of conduct while respect for local cultures was addressed in eight of the codes of conduct. The necessity to be sensitive to customers cultures and traditions were highlighted in organisation A's code of conduct, while organisation G's code of conduct suggests that the diverse range of cultures of the communities in which it operates and which make up its work force benefit the organisation. While not strictly speaking a reference to respecting cultures, corporate social investment in communities would indicate a degree of concern and respect for those cultures, an aspect covered in organisation H's code of conduct.

Enabling employees to develop skills and knowledge were covered in only four codes of conduct. For example, as part of the leadership requirements included in organisation A's code of conduct was the expectation that they would provide guidance for employees who were struggling with their job requirements, while the organisation would provide the necessary training and resources in order for them to work effectively and develop professionally. Organisation B's code of conduct uses the term 'continuous learning' to describe the workplace environment where employees skills are developed.

The provision of employment opportunities and advancement of human development was covered in five codes of conduct. Employment equity in the South African context was a topic within organisation B's code of conduct, while refusing to adopt a policy of tokenism; it encouraged the advancement of blacks and females towards managerial positions. Organisation G's code of conduct assures that equal employment opportunities will be provided based on individuals' capacity to perform the work, and opportunity to progress will

be afforded to those whose capacity matures and when there are opportunities within the organisation. Individual initiative, hard work and loyalty were qualities deemed necessary by organisation I's code of conduct for further development and reward for the individual by the organisation.

Safeguarding employment and employability was covered in only two of the codes of conduct. Organisation B's code of conduct confirms that employees may continue in their positions even in light of illness or disability, provided they are able to perform their duties and there is no risk to themselves or others in this regard.

To summarise: while the codes of conduct analysed showed strong support for the dignity and human rights of others and this was mentioned on numerous occasions within the codes of conduct, the codes did not provide much detail on specifics such as the responsibility towards providing safe services and products to customers, preferential treatment of suppliers who support dignity and human rights, the use of force, freedom of association and expression, respect for employees' cultures, the provision of learning and development opportunities, and the safeguarding of employment.

Fairness principle

The fairness principle refers to the concepts of free and fair competition, fair treatment of all parties, and providing fair processes to employees reporting misconduct. The analysis of the codes of conduct according to this principle is detailed in Table 3.7 of Appendix 3.

Dealing fairly with all parties is an all-encompassing standard of the fairness principle, covered by nine of the codes of conduct and is a frequent message within codes of conduct with 45 mentions, including 10 mentions in one particular code of conduct. However, similar to the dignity principle in the previous section, details in terms of the standards provided by the codex were lacking. Dealing fairly with customers was specified in organisation A's code of conduct as necessary to achieve proper client service and required that the organisation treat customers in an objective manner without prejudice, while the term 'professional conduct' was required when dealing with a range of stakeholders. Organisation I provided a motivational expectation that their products and services should 'surprise and delight' through 'great value products'. The code of conduct also detailed how the organisation should speedily respond to requests for information and complaints made. Organisation H's code of conduct touched upon the necessity to communicate honestly and accurately in its marketing activities.

Dealing fairly with suppliers in terms of honouring payment terms was mentioned before as a reliability principle, such as organisation B's reference in the code of conduct for timely payments to creditors. Treating employees fairly was reflected in many codes of conduct that detailed equal opportunity and access to training and support. In terms of fairness, organisation G and I's codes of conduct required fair pay for employees based on their contribution and standardised payment scales, while organisation E's code of conduct also prohibited employees from working without compensation. In terms of investors, providing material information of the organisation's operations and accurate financial information was a topic extensively covered in all codes of conduct. The large size of organisation I was acknowledged in their code of conduct and that they had a responsibility to prevent abuse of their powerful market position, therefore, the code detailed how the organisation was prohibited from controlling prices or excluding competition.

Dealing fairly with minority shareholders was only covered in three of the codes of conduct, for example, organisation H's code of conduct specifies that the organisation will not allow any activity that benefits one class of investor over another. Fair customer treatment was only covered in six of the codes of conduct, and setting fair prices only covered in two of the codes of conduct. Similarly, offering fair compensation to employees was only covered in five codes of conduct, such as organisation A's specification to reward those who were achievers. Dealing fairly with suppliers and partners, six codes of conduct contained such provisions. A restraint of trade prohibition clause was included in some codes of conduct, with organisation E's code of conduct specifying that any restraint of trade request be reported.

Non-discrimination and equal employment opportunities were covered by all the codes of conduct and could partly be attributable to the South African context, although this was not covered in much detail in the codes of conduct. Reference was often made to fair labour practices or international labour standards to which the organisations subscribed to in their codes of conduct – these would contain provisions such as non-discrimination and equal opportunities. Organisation E and F's code of conduct confirmed the organisations' commitment to a diverse workforce. While not specifically an equal opportunity issue, organisation E's code of conduct prohibited the employment of individuals not legally allowed to work – for example expatriates who may not have a requisite visa. Providing equal opportunity to suppliers and minorities, and preferring suppliers and partners who practise non-discrimination only received coverage in one code of conduct each.

Engaging in fair and free competition and refraining from collusion were covered in eight of the codes of conduct and refraining from questionable payments to attain competitive advantage was covered in nine codes of conduct, noting that the two codes of conduct not covering these standards were in the mining industry which may feel this to be irrelevant to their industry. Many of the codes, such as organisation A's code of conduct made reference to complying with laws and regulations, which would imply that anti-competitive behaviour would also be prohibited as it is illegal.

There was also extensive coverage in the codes of conduct against bribery and corruption that would include 'questionable payments' to obtain competitive advantage mentioned in the fairness principle. Organisation D's code of conduct warned that anti-competitive behaviour could lead to extensive reputational and financial loss. Organisation B's code of conduct provided some examples of anti-competitive behaviour, which was not acceptable, such as misrepresenting the organisation to obtain information, or attempts to garner confidential information from ex-employees from competitor firms subsequently employed by the organisation. It also prohibited unfavourable comments on competitor companies, products or individuals by members of the organisation.

Codes that require suppliers and partners to refrain from bribery and corruption were covered in four of the codes of conduct. Organisation B and G's code of conduct encouraged suppliers to accept and adopt the organisations' values and philosophy as detailed in their codes of conduct, cautioning suppliers that failure to do would result in possible sanction. G's code of conduct went further to specify that it would not do business with organisations involved in money laundering, terrorism or drugs.

The final fairness principle standards require that employees not be retaliated against for reporting violation of the law and misconduct – six of the codes of conduct analysed had such provisions. Organisation B's code of conduct assured whistleblowers of the confidentiality of their reporting misconduct and that there would be no retaliation against them for such disclosure. A commitment to a thorough investigation and sanction for misconduct was provided in organisation E's code of conduct, as well as confirmation that measures would be taken to protect those reporting from retaliation. A proviso made in organisation H's code of conduct, was that the report had to be in good faith and not malicious.

Citizenship principle

The citizenship principle refers to corporate citizenship and covers adherence to laws and regulations, protection of public goods, and responsible political involvement and civic contribution. The code of content analysis with reference to the citizenship principle detailed in the Global Business Standards Codex developed by Bettcher et al. (2005: 130 - 131) is detailed in Table 3.8 of Appendix 3.

Obeying the law and relevant regulations was covered in all of the codes of conduct analysed with this standard being mentioned 48 times in the codes of conduct. The requirement not to participate in money laundering or illegal activities that support terrorism, drug trafficking or organised crime was covered in eight of the codes of conduct. Some codes of conduct not only prohibited illegal activities at the workplace, but also required individuals to abstain from illegal activities in their private lives, such as organisation A's code of conduct.

Abstaining from restricting shareholder rights was covered in five of the codes of conduct, such as organisation H's code of conduct requirement that the organisation not do anything to benefit one class of investor at the expense of another class. Adhering to competition laws was covered in nine of the codes of conduct, adhering to environmental laws and standards was covered in all the codes of conduct, and the adherence to tax laws was mentioned in six of the codes of conduct.

The restriction on condoning and participating in bribery was covered in some detail by all codes of conduct with it being mentioned 23 times in the codes of conduct. All the codes of conduct also covered protecting the natural environment and promoting sustainable development. Ensuring products and services enhance the natural environment was covered by nine of the codes of conduct. Aspects such as evaluating the environmental impact of the organisation's activities and the adoption of suitable pollution controls, waste management standards, and environmental rehabilitation were furthered by organisation B's code of conduct.

Mining companies' codes of conduct had a strong emphasis on environmental and sustainability issues, such as organisation C's code of conduct which recognised that "we have an obligation to ensure that we contribute to the sustainability of the environment for future generations" and encouraged the continual improvement in their processes to minimise their environmental impact. Organisation F referred to a policy document that detailed their sustainable development principles. The preference of suppliers and partners

who adhere to environmental standards was only covered in three of the codes of conduct. No codes of conduct mentioned the standards of using the lack of scientific certainty to justify the delay in addressing potential threats to the environment.

Only three codes of conduct referred to the necessity of cooperating with public authorities in addressing threats from the company's products and services, while only one code of conduct required cooperation with employee groups and government to address employment dislocations as a result of business decisions. As the codex is only a benchmarking framework in developing codes of conduct, it does not imply that codes of conduct analysed are necessarily remiss in not including such clauses in their codes of conduct, but rather that they may be irrelevant to the particular organisation, or be covered in other principles included in their codes of conduct.

The recognition of government's role in society is only mentioned in one code of conduct, while improper involvement in political activities and campaigns is covered in all the codes of conduct analysed and is mentioned 16 times. Organisation A's code of conduct prohibits any activities that could be construed as improperly influencing people in public office, and required individuals to be responsible when engaging in party-political activities.

Organisations C and I decisively prohibited any form of gift giving to individuals in public office, and although organisation G allowed donations to political parties, it was with the intention of furthering multi-party democracy rather than securing business interests. Organisation H, however, prohibited donations to political parties by the organisation, instead encouraging engagement with regulators to address the industry's challenges. When communicating on issues not related to the organisation, organisation B's code of conduct required individuals to be clear that their views or comments were of a personal nature rather than been that of the organisation.

The requirement to contribute to the social and economic development of communities of the world was extensively covered by the codes of conduct where it was mentioned 21 times – perhaps a reflection of South African companies addressing their role in socio-economic development in South Africa and Africa. Addressing the social inequalities was covered in various ways, such as organisation B's commitment to use black businesses where possible in their commercial activities, and organisation G's commitment to furthering transformation. Organisation D's code of conduct committed the organisation towards the eradication of discrimination in their employment policies, while organisation E's code of conduct strove for a work environment without discrimination for their employees as well as for their customers and suppliers. This code of conduct also aspires to improve its BBBEE (broad based black

economic empowerment) score through adherence of the South African Department of Trade and Industry's recommendations.

Developing innovations was only mentioned in two of the codes of conduct such as organisation A's code of conduct requirement to explore and suggest 'innovative alternatives' in the workplace and in their product offerings to their various target markets. From a mining perspective, organisation G's code of conduct sought innovative approaches in improving health and safety in their operations, as well as innovative approaches in addressing their environmental impact. The contribution to charitable causes and support of employees' involvement in civic affairs was covered in five of the codes of conduct.

Organisation B's code of conduct encouraged members of the organisation to be involved in the political process and to respect their right to privacy in this regard, however cautioning that the organisation's resources should not be used for political party support. The preservation of the physical environment was covered in nine of the codes of conduct. The responsibility the organisation has towards local communities was stressed by organisation B's code of conduct and encouraged individuals to participate in a range of social, religious and civic activities, while organisation H described their commitment to local communities as evidenced by their charitable donations and educational contributions.

Responsiveness principle

The responsiveness principle requires the organisation and its members to engage with stakeholders with regard to the company's activities and to be responsive to the needs of the general public. The analysis of codes of conduct content in terms of this principle is contained in Table 3.9 of Appendix 3.

Respecting shareowners' requirements and resolutions was covered in only three of the codes of conduct. Offering quality products and services was only covered in two codes of conduct, while responding to customer complaints was covered by four codes of conduct. For example, organisation A's code of conduct required that the organisation develop products suitable for their customers and that satisfied their needs, as well as provided a commitment to resolve complaints of poor service. Again mention can be made of the terminology used in organisation I's code of conduct that aimed to 'surprise and delight' their customers with their products and services.

Organisation B's code of conduct addressed effective communication with customers, requiring the organisation to respond to customers' requests for information promptly. With regard to employees, six codes of conduct referred to good faith negotiations in cases of

conflict between the company and employees, while seven codes of conduct referred to suitable responses to employees' suggestions, requests and complaints. Organisation A's code of conduct highlights the need for effective communication and encourages participation in discussions, as well as been open to constructive criticism. Organisation B's code of conduct required the organisation to treat employees fairly and impartially and respond to their concerns and enquiries efficiently, while organisation H's code of conduct required the development of communication channels that ensure effective communication and consultation.

Community involvement and promoting economic and social development was covered by all codes of conduct with a high frequency of 23 mentions. Cooperating in the elimination of bribery and corruption was covered in nine of the codes of conduct and was generally worded as an outright prohibition. All the codes of conduct referred to the adherence to the law, which would infer that bribery and corruption would be unacceptable. For example, Organisation G referred to compliance of The Foreign Corrupt Practices Act of 1977 of the United States and The Anti-Bribery Act of 2010 of the United Kingdom.

Support for democratic institutions was covered in eight of the codes of conduct where participation by individuals in the political process was generally encouraged. Support of diversity and social integration was covered in seven of the codes of conduct, with organisation B's code of conduct requiring employees not only to be aware of the laws of the country, but also to familiarize themselves with the norms and customs of the countries and communities within which they operated.

Active engagement with the communities within which organisation C operated was supported by their code of conduct, which also detailed how diversity of their work environment contributed to the organisation's culture, and employees were required to respect people's beliefs, culture and religion. Organisation E's code of conduct mentions the benefit of diversity as well, suggesting that differences of culture, gender and talent can be leveraged to the benefit of the organisation.

Content not specified in the Codex

The fiduciary principle contained in the codex is a blanket principle – and can be broadly interpreted to cover almost all possible variations of code of conduct provisions. However, a number of provisions (refer to Table 3.10 in Appendix 3) found in the codes of conduct were not specifically included in the codex and are worth mentioning in the analysis – some can

be viewed as shortcomings of the codex or as being very specific to the organisation or industry to which the code relates.

Reporting mechanisms and guidelines were specified in seven of the codes of conduct, providing employees and stakeholders with information on reporting misconduct, thus supporting the effectiveness of the code of conduct in encouraging disclosure. Responsibilities of management and employees in the ethics management programme were specified in one code of conduct.

A restriction on employee remuneration from external sources (examples of which could include secondary employment or consultation fees) or a duty to request permission prior to accepting any secondary employment was covered in eight of the codes of conduct. While it could be regarded as a fiduciary duty, it perhaps highlights the problems that secondary employment could pose for a company in terms of the employees' loyalty and capacity to perform their duties. Three codes of conduct specified that employees need to ensure that company time is used to further the organisation's goals. A requirement to disclose gifts in a gifts registry was detailed in two codes of conduct.

Values were sometimes given emotive connotations, and motivational values such as 'teamwork' and 'passion' were used in two of the codes of conduct, and engendered support for adherence to the code of conduct provisions. One code of conduct suggested employees should celebrate the organisation's success, but in a humble way, and respect others who succeed – an acknowledgement of fair play in business. Another code of conduct referred to the respect of the organisation's culture. Loyalty towards the organisation was expected in two codes of conduct.

The danger of office politics was covered in one code of conduct that required employees to refrain from negative office politics. Positive participation in performance appraisals was requested in two codes of conduct.

The misuse of email and the company's right to monitor email communication was covered in four codes of conduct. The duty to disclose convictions involving dishonesty was covered in two codes of conduct. Repercussions for malicious and unfair whistleblowing were detailed in two codes of conduct. Restrictions on the possession of weapons were covered in two codes of conduct. Personal, both romantic and family, relationships and their disclosure were covered in one code of conduct. Consumption of alcohol at official social events was covered in one code of conduct.

Affirmative action and broad based black economic empowerment were covered in three codes of conduct, while illness and disability were covered in two codes of conduct, a reflection of the socio-economic and Aids/HIV challenges facing South Africa and Africa.

The restriction on members of the organisation conducting public interviews or providing statements was clearly a concern for seven organisations that contained provisions in this regard. Collection, storage, distribution and classification of information were covered in six codes of conduct again reflecting the sensitivity of information protection.

The duty to disclose other directorships and interests was contained in three of the codes of conduct, procedures for disclosing directorships and interest were detailed in three codes of conduct, and a duty to disclose shareholdings in the organisation itself was covered in two codes of conduct.

While the property principle requires members of the organisation to protect company assets including proprietary information, it is not specific with regards to innovations and patents. Innovation rights and patents ownership by the organisation were detailed in two codes of conduct. A prohibition of working without compensation, such as working overtime and not being paid for the effort, was detailed in one code of conduct. One code of conduct referred to the organisation's wish to ensure employees are provided with affordable health care.

One code of conduct encouraged self-reporting by the members of the organisation if they contravened the principles of the code of conduct.

Reference to compliance with international trade restrictions including sanctions and embargoes was made in three codes of conduct.

Two organisations acknowledged that they could make political contributions, with the code of conduct detailing the manner in which this should be undertaken, and that it should be for the purpose of advancing democratic institutions.

7.1.2 Supporting documents

Possible documents that could be used in conjunction with the code of conduct are detailed in Table 3.11 of Appendix 3. It is out of the scope of this thesis to go into an intensive analysis of these documents, nor is this list regarded as being comprehensive, but it rather provides some insight into the types of documents that could enable access to the code, provide additional details of policies, and improve understanding of the code of conduct. Most of these documents were accessed through the participating organisations' websites,

were viewed during the interview, and discussed in the interview, while some interview participants provided the researcher with copies of these documents or emailed these documents after the interview.

A separate code of conduct for suppliers was utilised in two of the organisations studied although many of the codes of conduct referred to the relationship with suppliers and other stakeholders in their codes. One organisation had a code of conduct specifically for directors of the organisation detailing their roles and responsibilities towards the company.

Most codes of conduct, as previously detailed, included a covering letter from the chief executive officer or from a high ranking official within the organisation, yet two organisations had separate covering letters from a person of similar designation but were not included directly into the code of conduct.

Only one of the organisations had a guideline manual that provided members of the organisation with information on how to interpret the various codes and utilise them in their decision-making. This allowed for a simpler code of conduct that was supported by a more detailed supplementary document for more information.

Some corporate websites provided lists of policies with hyperlinks to view the documents for ease of access. There is a wide array of policy documents used by various organisations. To mention some of the more prevalent policy documents: Ethics policy; fraud prevention strategy; conflict of interest policy; whistleblowing policy; anti-corruption and bribery policy; health and safety policy; environmental policy and political party donation policy. Ethics training modules and material and PowerPoint presentations were made available or demonstrated to the researcher illustrating the lengths that some organisations are taking to improve code of conduct understanding and enhance ethical awareness.

Employee signatory documents requiring employees to certify their acceptance of the code of conduct provisions and confirm their understanding of code were sometimes used during induction or revision of the code of conduct, while other organisations had annual renewal forms that required employees to confirm on an annual basis their acceptance of the codes' provisions.

Some organisations had a detailed ethics management structure sometimes diagrammatically detailed, and others had a clear ethics programme detailing their strategy roll-out, while sometimes ethics management was covered in their corporate strategy.

The mission and values statement could provide insights into the values underpinning the code of conduct, while the annual financial statements could provide some indication of the ethics management programme and reporting on misconduct investigations and whistleblowing successes.

Social and ethics committee reports and corporate governance reports provided insight into the activities and goals of these committees. These were sometimes supplemented with additional reports such as environmental, sustainable development and risk reports. Some reports detailed compliance with international principles such as the Equator Principles report or Global Principles report, or local principles such as a King III compliance report.

Code of conduct documentation and discussion could supplement the process of recruitment, selection and orientation, while performance appraisal documents may contain specific items related to ethical behaviour and code of conduct compliance. None of the organisations analysed included the code of conduct in their recruitment and selection material.

Access to the code of conduct in hard copy format or posters and other forms of marketing was lacking at most participating organisations – possibly as a result on reliance on the availability of the code of conduct on the intranet or internet. While not all websites contained the code of conduct available to the general public, all the organisations had the code of conduct at least available on their intranet.

The researcher was able to view some newsletters during interviews some of which were specifically ethics and code of conduct related, while others were more general with certain ethically related content. The researcher was unable to view any whistleblowing marketing material, but most interview participants confirmed that whistleblowing information and hotline telephone numbers were available in poster format. No access was provided to misconduct, reporting and disciplinary statistics, but most interview participants conveyed that there was some level of record keeping in this regard.

Other types of documents that were perused included corporate profiles, corporate portfolios, and internal magazines that all contained some general ethically related information and emphasised the values of the organisation.

Following the code of conduct content analysis, the theoretical development based on the findings of the research will be described.

7.1.3 Code of conduct content findings

The code of conduct content findings provides some valuable insights into the applicability of the codex in evaluating codes of conduct as well as insights into the type of content that was found in codes analysed.

The evaluation checklist developed by the researcher and using some concepts proposed by Rossouw and Van Vuuren (2010: 243 – 244) was necessitated due to the shortcomings of the codex developed by Bettcher et al. (2005). The evaluation checklist evaluated codes in terms of whether they were aspirational or directional, whether they contained examples of expected behaviour, whether the design and layout facilitated understanding and recallability, to name a few of the features of the checklist.

The evaluation checklist demonstrated the following: while the codes were varied in terms of their aspirational or directional focus, there seemed to be a move towards more aspirational types of codes of conduct; half of the codes provided examples of expected behaviour to improve understanding; none provided supplementary guidelines on applying the code of conduct; most codes of conduct reflected on their mission and values; half of them contained letters of introduction from the organisations' leadership; few contained a contents page making it sometimes difficult to refer to particular codes in the code of conduct; while few contained a requirement for members of the organisations to sign and confirm their acceptance and understanding of the provisions of the code of conduct.

Furthermore, the evaluation checklist demonstrated that most codes of conduct referred to external documents, legal tenets, or global codes; most codes of conduct were inclusive in their wording; all were suitable for the multinational nature of these organisations; most codes were well-designed and visually appealing, with some having been produced in some booklet type of format; few of the codes of conduct facilitated recallability; most codes of conduct encouraged discretionary decision-making; all referred to legal adherence; most codes of conduct were considered too long.

In terms of the categories presented by Rossouw and Van Vuuren (2010: 243 – 244), only half contained a rationale for their codes of conduct; most reflected on the organisation's values, principles and standards; all provided guidelines on expected conduct; while some were weak in providing guidelines on ethical decision-making; most provided guidelines on sanctions for misconduct; while few provided reference to further resources to assist in ethical conduct.

Evaluating codes of conduct according to the principles contained in the codex illustrated how the codes of conduct researched covered these principles to a satisfactory degree; the notable exception was the coverage of the reliability principle. Some organisations, such as organisation A had in actual fact used the codex in developing their code of conduct. The evaluation also highlighted how some standards were duplicated in the various principles incorporated in the codex. For example, the fiduciary principle of furthering the interests of the organisation and it stakeholders would imply the protection of company assets detailed in the property principle.

The codex evaluation also demonstrated how the industry of the organisation impacted on the code of conduct content. For example, marketing and sales detailed in the transparency principle was not covered by mining organisations as they do not conduct sales related activities, while the financial services and insurance industries covered this principle in detail as they are actively engaged in sales and marketing.

In the concluding chapter, these findings will be incorporated into suggested recommendations for the adaptation of the codex in order to be more useful and practical in developing content of codes of conduct.

7.2 Interview results

The research methodology described in Chapter 6 introduced the analysis technique utilised for the interviews. The interviews were transcribed, then coded, themes were identified and then categorised, and finally a process of memo writing was conducted in an attempt to identify emerging theories.

7.2.1 Application of grounded theory to the analysis of research results

The actual interviews and the initial incident to incident coding are not included in the appendices due to the possible compromise of participant's confidentiality – the participant and organisation may be identified from the transcripts and incident to incident coding.

To clarify the coding and memo writing procedures, an example of this coding process is described below as applied to the development of the formulae in section 8.1.11, namely, ensuring the organisation's external environment is accounted for in the development, content and implementation of the code of conduct.

The incident to incident coding required the analysis of the interview transcripts to identify themes in each sentence. For instance, the participant from organisation D stated that "there

are certain countries [in Africa] we choose not to operate in due to bribery and corruption – in the long term it costs us money and is not sustainable". Referring to Table 4 below in which the initial data was coded, this sentence was allocated to the category of 'political' environment', the theme of 'African corruption' was identified, and the criterion of 'won't operate' was specified (Table 4 is an extract from Table 4.9 of Appendix 4). The criterion is also obtained from the interview results and elaborates on the theme specified. For example, the theme of African corruption would censor some organisations – 'won't operate' – from operating in some countries.

A further example of coding in the category of the political environment is provided in the interview with organisation B. The participant stated that "we operate in places not highly regarded from an ethical perspective. High corruption in these countries. How do we make sure we can conduct business (and do this ethically)? How do we lobby with government? These are real challenges. There is corruption on a country level – extortion on a country wide level. Sometimes it becomes a life and death situation to operate in some countries (that are experiencing war or terrorism)". A number of themes were identified by this statement. Firstly the theme of corruption with the criterion of a high level of corruption experienced in some countries; the theme political uncertainty in the face of war and terrorism with the criterion of deciding how to operate ethically in such an envionment; and lobbying with government with the criterion of engaging with government ethically.

Table 4: Extract from Table 4.9 of Appendix 4

Categories	Theme	Theme Frequency	Criterion	Amplifier	Consequences of effectiveness						
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp Govern
Political	Corruption	4	High levels	Responsibility					1	1	1
	Bribery	1	Regulators	Accountability					1	1	1
	Africa corruption	1	Won't operate	Sustainability	1					1	1
	Political uncertainty/war /terrorism	1	How to be ethical	Sustainability	1					1	1
	BBBEE	1	Impact	Responsibility							1
	Tokenism	2	Refusal	Sustainability	1						
	Disagreement with government policies	1	Will obey law	Responsibility						1	1
	Networking with government	1	Engagement ethically	Responsibility	1					1	1

The process of memo writing during coding identified two hypotheses, namely what 'amplifies' the effectiveness of a code of conduct, and what an effective code of conduct contributes, termed 'consequences' of effectiveness. It was therefore necessary to consider these amplifiers and consequences of effectiveness in further analysis of the research results.

With regards the amplifiers hypothesised, initially the term 'doctrine' was going to be used. However, a doctrine is a principle or rule that would indicate that certain activities must be actioned in order for a code of conduct to be effective. For example, a doctrine of engagement would imply that for a code of conduct to achieve the consequences of relevance, a process of consultation would be required. Yet most participating organisations did not consult with a wide range of stakeholders in developing their codes of conduct. This does not necessarily imply that their codes of conduct are not relevant, as a doctrine would suggest. Rather the process of engagement could improve the relevance of the code of conduct. As such, engagement 'amplifies' the ability of the code of conduct to be relevant to its stakeholders.

Reflecting again on the interview with organisation D to explain the generation of amplifiers through memo writing, the participant stated "in the long term it costs us money and is not sustainable". The term 'sustainability' was selected as one of the amplifiers, assuming that a commitment to sustainability reflected in the content and implementation of the code of conduct, would have positive consequences. One of which, is the sustainability of the organisation (detailed below) – reflecting a common reciprocal relationship between amplifiers and consequences of effectiveness.

In this way 10 amplifiers were ultimately determined, namely the amplifiers of conscience; inspiration; engagement; relevance; access; structure; processes; accountability; sustainability; and responsibility. These amplifiers will be described in further detail in section 7.2.2.

In trying to determine how the themes and criteria impact code of conduct effectiveness, it was necessary to evaluate how the inclusion of such provisions in a code of conduct would impact the organisation – the consequences of such provisions. To reflect again on the examples provided, organisation D's motivation for not operating in certain countries where bribery and corruption were commonplace, was due to the fact that it "costs us money". Such unwillingness to operate in these countries, could therefore be regarded as a strategic decision by the organisation to ensure sustainability. Organisation B's concern regarding the difficulty of conducting business in countries with high corruption in an ethical manner, would imply that provisions guiding the organisation on ethical behaviour in such countries would be aimed at discouraging unethical behaviour when operating in such an environment. Again through the coding of the interviews and memo-writing, seven consequences of effective codes of conduct were identified which will also be detailed in section 7.2.2.

These amplifiers and consequences were introduced into the coding spreadsheets (as evidenced in Table 4 above and Appendix 4), and the themes and categories were further evaluated against these amplifiers and consequences.

Once this coding was completed, the data was further categorised into the various amplifiers identified (Table 5.1 – Table 5.9 of Appendix 5), as in the example of Table 5.

Table 5: Categorisation of amplifiers

Amplifiers	Category	Description
Relevance	Society	Respect the cultures of societies in which the organisation operates and ensure the code of conduct is relevant to the countries in which it operates, without compromising the organisation's values
		The code of conduct must provide guidelines in an ever increasingly complex world
Access	Technology	Embrace technological advances such as e-learning, e-mail, and satellite television to facilitate access and training on the code of conduct and ethical decision making
	Society	Take into account the different languages of employees within the organisation and aspire to provide translated versions of the code of conduct, provide training in a medium that is suitable to employees with different mother tongues (such as industrial theatre, visual training, provision of examples), and explain the code of conduct in a way that is properly understood by employees
		Ensure that whistleblowing hot-lines are accessible for whistleblowers in their spoken language
Processes	Technology	Embrace technological advances such as e-learning, e-mail, and satellite television to facilitate access and training on the code of conduct and ethical decision making
Accountability	Political	Ensure interaction and lobbying with government is done in a professional and ethical manner
	Technological	Protect proprietary or non-public information and protect corporate reputation in the age of social media and speed of communication
	Society	Ensure that employees in communities dependent on the organisation understand relevant codes of conduct that may be relevant to the situation - such as potential conflicts of interest
		Embrace the greater level of accountability expected from stakeholders and endeavour to be good corporate citizens
Sustainability	Political	Refrain from operating in countries where high ethical standards cannot be maintained and where the organisation faces financial risk due to political instability
	Legal	Refrain from operating in economies where the regulatory environment compromises business objectives
Responsibility	Political	Ensure interaction and lobbying with government is done in a professional and ethical manner
		Ensure ethical business practices are maintained in countries experiencing high levels of corruption and work with governmental institutions to change the level of corruption
		Obey the law
		Evaluate the safety risks that employees may face in countries experiencing political turmoil
		Support social upliftment initiatives without compromising ethical standards or business objectives
	Economic	Ensure human rights and international labour standards in developing nations are adhered to within the supply chain
	Legal / regulatory	Ensure compliance with the regulatory environment and take a proactive stance in anticipating future regulatory constraints
		Ensure minimum compliance yet aspire to greater levels of ethical behaviour
		(South Africa: King III aspiration and incorporation of principles into the organisation)
	Technological	Protect proprietary or non-public information and protect corporate reputation in the age of social media and speed of communication
		Utilise technological advances to improve peoples lives in communities in which the organisation operates
	Society	Advance human rights and international labour standards and endeavour to improve peoples lives in countries in which the organisation operates
		Treat customers fairly
		The size of the organisation and its potential to dominate a market or community must be tempered with respect for free market mechanisms, responsibilities towards the value chain, and the communities in which it operates

Ensuring the organisation's external environment is accounted for in the development, content, and implementation

This categorisation was further refined into the various formulae for an effective code of conduct, detailed in Chapter 8. Table 6 below is an example of one of these formulae, where interventions are described against each of the amplifiers, which have the propensity to improve code of conduct effectiveness.

Table 6: Formulae for ensuring the industry's context is accounted for in the development, content and implementation of the code of conduct

Ensuring the organisation's external environment is accounted for in the development, content, and implementation of codes	
Amplifiers	Description
Relevance	Respect the cultures of societies in which the organisation operates and ensure the code of conduct is relevant to the countries in which it operates, without compromising the organisation's values
Access	Take into account the different languages of employees within the organisation and aspire to provide translated versions of the code of conduct, provide training in a medium that is suitable to employees with different mother tongues, and explain the code of conduct in a way that is properly understood by employees
Processes	Embrace technological advances such as e-learning, e-mail, and satellite television to facilitate access and training on the code of conduct and ethical decision making
Accountability	Embrace the greater level of accountability expected from stakeholders and endeavour to be good corporate citizens. Ensure interaction and lobbying with government is done in a professional and ethical manner. Protect proprietary or non-public information and protect corporate reputation in the age of social media and speed of communication.
Sustainability	Refrain from operating in countries where high ethical standards cannot be maintained and where the organisation faces financial risk due to political instability. Refrain from operating in economies where the regulatory environment compromises business objectives.
Responsibility	Be responsible towards all stakeholderds. Obey the law. Ensure minimum compliance yet aspire to greater levels of ethical behaviour. Advance human rights and international labour standards and endeavour to improve peoples lives in countries in which the organisation operates.

The consequences and amplifiers of effective codes of conduct are listed and explained in greater detail below.

7.2.2 Consequences and amplifiers of effective codes of conduct

Consequences of effectiveness are the end results of an effective code of conduct. Seven consequences were identified in the transcripts and will be discussed below:

1. The code of conduct furthers the strategic objectives of the organisation

This is a broadly defined consequence and suggests that codes of conduct be elevated to strategic importance within organisations in order to facilitate strategic objectives.

The way in which codes of conduct could further strategic objectives include the following: They support business targets, provide guidelines for employees on expected behaviour in achieving their expected performance levels, improve awareness of potential ethical dilemmas and issues that could negatively influence the organisations reputation and profitability, improve the ethical culture and leadership of the organisation

ensuring long term sustainability, improve workplace productivity within a positive ethical environment, engender good corporate governance and sustainable development of the organisation, protects the organisation's business interests and assets from harm through unethical activities, promotes its reputation, and promotes the interests of all stakeholders.

The strategic importance of the code of conduct was clearly illustrated in the interview with organisation D: "The code of conduct is the backbone in the business. Everything else flows from that. From a policy perspective there are two documents that are on equal footing – equally important – our values statement and our code of conduct. They are where we start and when we finish something we go back to them and ask 'did we apply these documents?'".

2. The content of the code of conduct is relevant

The content of the code of conduct guides employees in practical ways in their day-to-day operations and is relevant to ethical dilemmas employees may face, relevant to the organisation, the industry in which it operates, and relevant to the external environment in which it operates.

Relevance is both a pre-requisite (later termed an amplifier) for effectiveness and a consequence of effectiveness. For a code of conduct to be effective, it needs to be relevant. However, to achieve relevance, the code of conduct needs to be developed or revised in such a manner as to achieve content relevance.

One way to achieve content relevance is through consultation to determine necessary codes for incorporation. For example, broad consultation and benchmarking was valuable in this regard according to organisation D's representative, while outside assistance by Ethics SA was sought by organisations B, C and F. Organisation A used the codex developed by Bettcher et al. (2005: 125 – 131) as a benchmarking framework when developing their code of conduct. While the consultative process could be 'painful' and an 'immense frustration' it was necessary according to organisation A's representative.

3. The code of conduct assists employees in making ethical decisions

The code of conduct is read, known, supported, discussed, referred to, and understood by employees and assists and encourages them in making ethical decisions.

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A number of the organisations representatives raised a concern that their codes of conduct were not easily understood or contents thereof very well known. In the interview with organisation A, the representative acknowledged that their code of conduct could have been simpler, while G's representative questioned whether their code of conduct required "so many pages to cover a few principles", and H's representative disclosed that there had been requests for a "less bureaucratic code of conduct".

Most representatives spoke of the necessity for a code of conduct to guide employees in their ethical decision-making. Organisation E's representative put this succinctly: "The code is a reference for us in grey areas. Guys want to do the right thing, but if they are unsure, they can get the answer from the code of conduct."

4.   The code of conduct encourages disclosure of misconduct

The code of conduct provides guidelines and promotes the reporting of misconduct and whistleblowing without fear of recrimination.

The success of whistleblowing mechanisms was closely connected to the code of conduct, and most organisations spoke of the importance of the code to promote and provide guidelines on disclosing misconduct. As organisation B's participant reflects, "It is also vital that your tip-offs availability is stated clearly in your code of conduct... having a code of conduct is good, but you have to have the mechanisms to make sure it works... people must be confident that it works and that they will stay anonymous."

5.   The code of conduct discourages misconduct

The code of conduct provides guidelines on what behaviour will be regarded as unacceptable and sanctions and penalties for such behaviour.

The use of the code of conduct in the disciplinary process was widespread amongst organisations participating in the interviews, and as organisation F's representative stated: "We use it a lot as a 'big stick". Most debated the benefits and weaknesses of aspirational versus directional codes of conduct in their ability to discourage misconduct, such as organisation A's representative concern that when a code of conduct is "legalistically precise you run the risk of condoning through omission".

6.   The code of conduct promotes an ethical culture

The code of conduct facilitates the ethical culture in the organisation.

There was broad consensus amongst interview participants that a code of conduct can impact positively on an organisation's ethical culture. As organisation F's representative states: the "Code of conduct can play a role in improving the ethical culture. It is like a family – you have your own set of values. The code makes sure everybody understands what is right and wrong. It sets the tone".

7. The code of conduct advances good corporate governance

The code of conduct advances good corporate governance practices.

In the same manner as the consequence of relevance requires the amplifier of relevance, good corporate governance is also a pre-requisite for effectiveness as well as a consequence of an effective code of conduct. Good corporate governance practices enhance code of conduct effectiveness, while reciprocally, effective codes of conduct further good corporate governance practices.

Organisation C discussed how the code of conduct deals with conflict of interest by directors: "You need to declare if you are a director of a business. Even if the business is unlikely to do business with the organisation. But you need to declare it, because the Code of Conduct says that you have to get managerial approval for any interest in another business – you can't run another business and still do your job effectively – it might detract. Also while the business might not do business with the company now, this may change in the future. If relatives etcetera are involved you must declare this. So everyone knows and it can be approved by management. If it then happens that the business applies to become a vendor, you have declared it, and management can then ensure that you are not part of the decision-making process. If you don't declare it, you may become part of the decision-making process and then questions will be asked".

For these consequences to be achieved, a number of amplifiers were identified.

The amplifiers detailed are as follows:

1. The amplifier of conscience

This amplifier refers to the values and mission of the organisation and how the code of conduct should closely reflect and be aligned to these values and mission.

2. The amplifier of inspiration

This refers to the ability of the code of conduct, through leadership, organisational culture, and the individual, to stimulate ethical behaviour amongst employees and stakeholders.

3. The amplifier of engagement

The importance of consultation, communication, educating, training in ensuring all stakeholders are taken cognisance of when developing, reviewing, and implementing codes of conduct.

4. The amplifier of relevance

Ensuring the content of the code of conduct is relevant to the individual, organisation, industry, and external environment: that the choice of the type of code of conduct (for example the choice between aspirational and directional code of conduct) is suitable for the context of the organisation; and that the implementation methods are fitting for the organisation's contextual environment.

As detailed in the consequences of effective codes of conduct, there is a reciprocal relationship between the consequence of code of conduct content that is relevant, and the amplifier of relevance. The amplifier of relevance will be conducive to ensuring the content of the code of conduct, and its implementation, is suitable for the context of the organisation, thus enhancing effectiveness.

5. The amplifier of access

The amplifier of access refers to the ease of access and understanding employees and stakeholders have regarding the code of conduct.

6. The amplifier of structure

The importance of an ethics management structure to support the code of conduct is attributable to the amplifier of structure.

7. The amplifier of processes

Suitable processes need to be implemented to ensure consistency and reliability of training and education, communication, code of conduct review, consultation, whistleblowing, and sanction.

8. The amplifier of accountability

All levels of the organisation and stakeholders are accountable for code of conduct effectiveness and ethical behaviour.

9. The amplifier of sustainability

All levels of the organisation and its stakeholders are responsible for promoting the organisation's interests in a sustainable manner and acknowledging that unethical behaviour can negatively impact on this sustainability.

10. The amplifier of responsibility

This refers to an acknowledgement by all levels of the organisation of its responsibility towards employees, stakeholders, adherence to laws, the advocating of human rights and upliftment of society.

The consequences and amplifiers were incorporated into the spread sheet of categories and themes and further analysed using theoretical coding (Charmaz, 2011: 63). (See Table 4.1 – Table 4.9 of Appendix 4).

Each guiding question will be discussed below in terms of the impact the factor has on the effectiveness of codes of conduct – namely the role that these factors play in achieving the consequences of effectiveness. See Table 4.1 – Table 4.9 of Appendix 4 for greater detail. The link between the amplifiers proposed above and the guiding questions will be incorporated into the formulae for an effective code of conduct detailed further in Chapter 8.

7.2.3 Alignment of the code of conduct with strategic objectives

One of the first themes identified in the interviews was the necessity for codes of conduct to be aligned to strategic objectives. This was highlighted in the interview with organisation A's representative who emphasised the need for ethics to be a critical component of the organisation's strategy. The participant states that "you cannot be a custodian without ethics. It is a strategic imperative for us to set that custodian role … Ethics is a strategic focus." The evolution of the code of conduct towards alignment with strategic objectives was obvious for organisation H's representative who suggested the request for revising the code of conduct was "an indication of a more strategic elevation".

A strategic focus could be reflected and supported by board approval of an organisation's code of conduct and a clear mandate from the board of directors to implement an ethics

management programme. Discussing his appointment as chief ethics officer, participant A mentions how he insisted that the code of conduct receive board approval in order for it to be effective – "I said I want a board mandate, and on that basis I can continue and do my job" – thus emphasising the necessity for the board of directors commitment to the code of conduct and its ethical standards as a strategic objective of the organisation. Leadership commitment to the code of conduct indicates to employees their support for the code of conduct, thus encouraging employees to abide by the dictates of the code of conduct.

All of the organisations participating in the interviews had established a social and ethics committee that can play a custodian role in code of conduct implementation. While the establishments of such committees are encouraged by King III in South Africa, and in certain situations are obligatory in terms of the Companies Amendment Act 3 of 2011, it is a reflection of the adoption of a more strategic approach to ethics within organisations. This would correspond to Singh's (2011:262) findings that ethics and codes of conduct were becoming more strategic.

Organisation E's participant stressed the necessity of an ethical approach – "Business ethics always irrespective of profit. We never compromise ethics. If you compromise, it will bite you some time". Business ethics must be a priority in organisations with a zero-tolerance approach to unethical behaviour, and the code of conduct should be prioritised as the pivotal document to drive ethical behaviour. While this may mean longer and more detailed operational processes and the sacrifice of short term profits, such prioritisation helps achieve business targets, safeguarding long term profitability and promotes sustainability.

Organisation D's participant acknowledges that unethical behaviour could have short term benefits, "but you won't be sustainable… Long term profitability and sustainability is dependent on ethical business practices". None of the participants mentioned the potential of leveraging ethics for competitive advantage as was advocated by Grant (2005: 22) and Dess et al. (2004), although one can infer from their comments on long term profitability and sustainability, that they regard ethics as a competitive advantage. In essence, while acknowledging that unethical behaviour cannot be eliminated in its entirety, the code of conduct can reduce the risk of unethical behaviour if it is strategically implemented in the organisation.

An aspect of ensuring the code of conduct retains strategic significance is the embedding of the code of conduct and its provisions in the organisations operational processes. For example, for the code of conduct to be effective, it has to be incorporated into an ethics programme initiative – as a document in itself it is unlikely to succeed without strategic

incorporation of the code into the organisation. It should be viewed as the backbone of the business and must be a living document aligned with the values of the organisation – the term 'living document' was mentioned in a number of interviews and reflected how integrated the code of conduct needs to be in the organisation and organisational processes. Rossouw and Van Vuuren (2010: 249) support this viewpoint describing the institutionalising of codes of conduct on strategic, systems and operational levels.

7.2.4 Impact of the development and revision of codes of conduct

The second guiding question explored what impact the development and revision process could have on a code of conduct's effectiveness. Two participant organisations were in the process of reviewing their codes of conduct, one was considering a revision towards a more values based code of conduct, while the others were not considering any immediate revision.

When referring to old or existing codes of conduct, participants varied in their perception of whether they were effective or not. Some felt their codes were well developed based on benchmarking techniques or containing the necessary principles, some found their codes of conduct to be useful in disciplinary action, while others viewed their codes as being well written but lacking effective communication to ensure content support and understanding.

The rationale for code of conduct revision included the concern that the code of conduct was too 'legalistic', the necessity to protect the organisation from potential reputational damage, inconsistency or a number of different codes of conduct, inconsistency in implementation of the code into operational processes, inconsistency with values, inconsistency with policies, the need to align it within the organisation, the failure of the code of conduct to cover essential areas of risk or concern, the need to incorporate international standards, the need to align it with the corporate culture, and to take into account legislative changes. Regular review and revision of a code of conduct were encouraged by Painter-Morland (2010), to ensure it reflects the changing context of the organisation, which should identify inconsistencies mentioned above.

In developing and revising their code of conduct, organisations varied in their consultative process – ranging from wide consultation of stakeholders to narrow consultation of specific individuals. Some made use of external consulting firms or Ethics SA to write or guide them in writing the code of conduct where they lacked the necessary expertise. There was general consensus that the board of directors takes an active role in the review process. The social and ethics committee was also seen as instrumental in the review process, with organisation

D's participant mentioning that revisions in their code of conduct were motivated by their social and ethics committee's desire to adopt the OECD guidelines and UN Global Compact.

In one case executive management was provided with training in order for them to understand the development process of the code of conduct better, and therefore, provide a better contribution to the consultative process. Revision and writing of the code of conduct also included specialist insights, such as those provided by a company secretary, a forensic team, and staff members in the legal, human resources and procurement departments. One organisation used focus groups in the development and revision of codes of conduct, while another conducted face-to-face meetings with stakeholders where necessary.

None of the organisations consulted with lower level employees in developing or revising their code of conduct and three lacked any meaningful consultation – one citing the level of effort required for such a consultative process and another the complexity of involving trade unions. As organisation I's representative explains: "I hadn't thought that we would consult with employees. Just a process of not making a mountain of it. That level of engagement will take a lot more effort". This lack of consultation with all levels of employees raises concerns that their codes of conduct may lack relevance to all levels of employees to whom it pertains. A view similarly held by Singh (2011: 263) who found the lack of consultation with lower level employees to be contrary to the principles of broad engagement with stakeholders.

Four of the participants spoke of how values drove the content determination of the code of conduct and provided the principles that needed to be incorporated into the code of conduct. For example, organisation H's representative spoke of the rationale for the revision process being the need to "rally staff around core beliefs, cluster policies under values, and provide a synopsis (as contained in a code of conduct)".

Benchmarking using the codex (Global Business Standards Codex developed by Bettcher et al., 2005: 125-131) was utilised by one organisation in ensuring their code of conduct contained relevant principles covered in the codex. Some used their own knowledge to develop and supplement the code of conduct content.

Organisation B's participant (who were currently reviewing their code of conduct) spoke of how the revision process began as a 'rubber stamping' exercise, but later became a very involved strategic revision including the incorporation of an ethics management programme. A task team was established to facilitate the process that not only aided revision, but also promoted the profile of the code of conduct. Members of the task team were given the

necessary training to help them with the process and they partnered with Ethics SA to provide the expertise in the process.

The Gordian Knots proposed by Kaptein and Wempe (1998: 857 – 860) speaks of three dilemmas that need to be resolved when developing a code of conduct, namely the process in developing a code of conduct; the content of the code of conduct; and the process of introducing the code of conduct into the organisation. Organisation B's revision seemed to naturally reflect these Gordian Knots, where the revision evolved from a quick intervention into a strategic initiative for the organisation, where these three dilemmas were confronted and which they were trying to resolve. Participants also highlighted the need for the allocation of resources to ensure the effective development of an ethics management programme and revision of a code of conduct.

Only two participating organisations had a formalised ethics office with appointed ethics officers, and only one of these positions was a full-time position with supportive infrastructure and staff. In this organisation the development and implementation of the ethics management programme and code of conduct were driven by the ethics officer. During the code of conduct revision process, shortcomings were sometimes identified in their ethics management programmes and infrastructure, necessitating not only a revision of the code of conduct, but also the development or revision of their ethics management infrastructure.

The choice between aspirational versus directional code of conduct takes place during development or revision of codes of conduct, and the decision is influenced by a number of factors. Aspirational codes of conduct were motivated by the alignment of the code of conduct with the organisational values and organisational culture, while the principle decision of adopting a directional code of conduct was due to the ability to enforce provisions of the code of conduct. The tendency to revise towards a more aspirational code was evident, as reflected in organisations C's interview: "The initial code was very legalistic and rules based. The new code brought in values and softened the tone a bit, but was still very rules based".

Two organisations had supplier codes of conduct that were developed to ensure suppliers complied with the organisation's standards, while another made reference in the code of conduct to the organisation's expectations of their suppliers.

7.2.5 Content of the code of conduct and supporting documents

While the content of participating organisations' codes of conduct was extensively analysed previously in this chapter, the interviews provided valuable insights on what participants thought to be detractors and enhancers of an effective code of conduct.

Those participants who critiqued their current codes of conduct are principally of the view that their codes are too complex, bureaucratic and long. The challenge for them is finding the balance between covering the essential principles needed in the code of conduct without being too legalistic or superficial. As the participant from organisation A explains: "If you only appeal to protecting the business or guiding or educating employees, you either run the risk of been 'airy-fairy' or been too legalistic".

To better understand what type of content was needed in codes of conduct, the question was posed to interviewees, as to why they needed codes of conduct. The rationale for codes of conduct mentioned was the necessity to protect the business, protect employees and to protect the public. The need to educate and guide employees, and be helpful when employees are uncertain when making ethically difficult decisions were also mentioned, as often, in organisation A's participant's view, "these documents are written to protect primarily the business – they are not there to educate and guide employees. The code must guide responsible conduct". A number of participants also described the value of the code of conduct when disciplining employees. According to organisation C's participant, "it makes life easier when there is a contravention… it takes out the discretion part of it".

Mention was made previously of the complexity of deciding between a directional or aspirational code of conduct when revising codes of conduct. All participating organisations have codes of conduct that contain elements of aspirational and directional features, although some tended to be more legalistic and directional, while others, more values based and aspirational. The reasons cited for a more directionally focused code of conduct were the fact that regulators and regulatory requirements dictated a more rule based code of conduct to ensure compliance, the concern that aspirational codes of conduct would be more difficult to enforce, and that training on compliance when there are rules is easier.

The choice of a more aspirational code of conduct was influenced by the concern that an overly rule based code of conduct preempted the individual's ability to make decisions and effectively do their job, and could create opportunities to condone or allow certain behaviour that was not specifically mentioned in the code of conduct. A rule based code of conduct could also be complex and long-winded, making it difficult for employees to understand and

could provide an excuse for them to justify their behaviour due to not having read or understood the code of conduct.

A combination of the two was felt to be more suitable in ensuring the organisation's values and principles were upheld, while providing specific guidelines of behaviour. The code of conduct was sometimes supplemented with reference to guidelines and policies that provided the parameters of behaviour and which ensured that individuals were made accountable for transgression of these rules. One participant holds the view that he does not believe in phases of a code of conduct – the concept that codes of conduct evolve from more directional towards aspirational codes of conduct – believing that codes of conduct need to reflect the type of organisation and the industry in which it operates.

Some organisations and their industries would require a more rules based code of conduct, while others, a more values based code of conduct. The tone of the code of conduct was also discussed, and supports Swartz's (2004: 323; 328 – 332) view that aspects such as tone were relevant in determining effectiveness. The choice between 'should' and 'must', 'we' and 'us', was mentioned as some choices in providing guidelines or rules of behaviour and providing the aspirational ('we' and 'us') or directional ('should' and 'must') resonance.

Most organisations detailed the organisation's values towards the front of the code of conduct because of the importance of adherence to these values – as organisation A's participant state "we sell trust – promises and whether we will be capable of meeting them". Codes were felt to cover not just legal issues, but also principles the organisation wished to adhere to, such as treating individuals with dignity.

Specific issues that participants felt necessary for incorporation into the code of conduct included conflict of interest provisions, which were considered a high-risk area for all organisations. Outside directorships and interests prohibition or requirement of disclosure or permission were felt to be important provisions in the code of conduct or reference was made to policies in this regard. Insider trading and the disclosure of non-public information codes were also deemed to be imperative provisions.

The relationship between the employee and the client was another area that required attention to prevent corrupt relationships and prevent fraud and the threat of theft. Bribery and corruption received much attention and participants operating in countries with a poor record with regard to corruption reflected on the difficulties of operating in such countries – some would refuse to conduct business in those countries, while others felt their involvement in those countries benefited the development of the country and upliftment of its people.

Organisation B does operate in countries with poor human right records, and while emphasising their commitment to human rights, the participant described the difficulties of operating in such countries: "We operate in places not highly regarded from an ethical perspective. High corruption exists in those countries. How do we make sure we can conduct business and do this ethically? How do we lobby with government? These are real challenges. There is corruption on a country level. Sometimes it becomes a life and death situation to operate in some countries – terrorism and war".

Procurement and sales were also areas that needed to be incorporated in the code of conduct. Gifts and entertainment were also felt to be important aspects covered in the code of conduct, and were either forbidden or restricted. Legal compliance, such as abiding with local and international laws and regulations, were also found to be important factors that needed to be included in the code of conduct.

Participants from certain industries pointed out the importance of the inclusion of certain provisions in the code of conduct, such as safety in a mining organisation's code of conduct, or confidentiality of customer information in the retail industry. The code of conduct needed to contain clauses that supported their unique ethical challenges.

Two organisations participating in the research had a separate code of conduct for suppliers, while some of the others made reference to various stakeholders' obligations in terms of the code of conduct. Participants in organisations with separate codes of conduct for suppliers discussed how such a code is needed to prevent the use of child labour and other international labour and human rights infringements by their suppliers. The code also refers to gifts policies, to prevent bribery and corruption in the procurement process. Reference to strategic relationships between the organisation and suppliers is also an issue that received attention in three organisations' code of conduct.

The dominance of the organisation, the dependence of smaller suppliers on the organisation, and the responsibility of the organisation towards economic upliftment, are reasons given for the development of such strategic relationships where the organisation does not take advantage of its dominant position in the market. This relates to adherence to anti-competitive legislation, but also goes further than that, as the participant from organisation F explains: "The code refers to the relationship between the organisation and small firms with which it does business – we have invested a lot of time and money in ensuring local suppliers have the efficiencies and scale to be able to compete on a cost basis".

The visual appeal and length of the code of conduct were felt to be important for most participants. Greater attention to design was indicative of the importance attributed to the document, and the design should reflect the business. "It is like an internal marketing document, if it doesn't look pretty, if it doesn't look like your prospectus, you are telling everybody it is not important" according to the participant from organisation A. The length of the code has been mentioned in this section, but was an area that participants frequently reiterated, with the concern that people would not read a code of conduct that is too bulky.

One felt that the simpler the code of conduct, the greater the reach that the code of conduct would have, while organisation G's participant questioned whether you "need so many pages to cover just a few principles … the code cannot be an encyclopedia?" Language was another aspect discussed by participants. Participants in the various organisations varied in their approach, some feeling that English was the dominant language and that an English code of conduct was satisfactory, while other participants were keen on translating the code of conduct into the various languages spoken by employees. Access to code provisions in various languages was available in specific circumstances, such as safety standards adherence in the mining industry, and whistleblowing facilitation in South African languages and internationally, but none had translated the code of conduct to cater for all relevant language groups of their employees.

When challenging participants on whether employees actually referred to the code of conduct, their perceptions ranged from believing that employees only referred to the code of conduct when facing disciplinary action to not at all. Organisation A's participant felt that a code of conduct is not the type of document that employees would consult proactively, but that the provisions of the code of conduct should be integrated into the organisation's operational processes to ensure adherence – "the codes are incorporated into operations to such an extent that employees do not even realize that they are consulting the code".

Employee signatory of codes of conduct ranged from that of not being required, inclusion in employee contracts, to annual declarations of understanding and commitment. Only two of the codes of conduct incorporated a signatory field in the actual code. Participants who did not require such confirmations felt that this needed to be adopted in the future and some had in place or were investigating ways to incorporate an annual declaration electronically when logging into their computers. Participants questioned whether this did in fact ensure that employees read and understood the code of conduct. Understanding was a general concern of participants, and some wondered whether the code of conduct and policies were read due to time pressures and constraints of busy individuals. With regard to support, participants

were of the view that there was general acceptance and support of the code of conduct, and employees understood that there were consequences for unethical behaviour. With regard to lower level employees, participants were of the general opinion that the code of conduct was either irrelevant to them or that they did not pose a risk that needed to be addressed by the code of conduct.

7.2.6 Formal implementation methods

A number of formal implementation methods were discussed with regard to effective code of conduct and ethics management programme implementation. This section will firstly discuss the types of ethics management structures needed to support a code of conduct with special mention of the ethics office and ethics officer, and then detail aspects of implementation, namely education and training; communication of terms of the code of conduct and the types of communication methods utilised; providing access to the code of conduct; whistleblowing and other reporting mechanisms available for disclosing misconduct; the role of the code of conduct in employee recruitment, induction, performance appraisal mechanisms and reward systems; misconduct investigations; and reporting on compliance and auditing of adherence to the code of conduct.

Ethics management structure

"As a document, the code of conduct cannot improve an organisation's ethical culture, as a programme initiative, the code of conduct can play a role" according to organisation A's participant. These supportive programmes can broadly be defined as an ethics management structure. Participating organisations had varied structures and responsibilities for ethics management. All had implemented a social and ethics committee in line with the King III recommendations and the statutory requirements of the Companies Amendment Act 3 of 2011.

Two organisations specified an ethics management structure, namely organisation A and D. Organisation A had an ethics management office with employees dedicated to full-time ethics management. While the office operated within the risk functionary division, the office's responsibilities crossed functional barriers and were integrated throughout the organisation. As its participant explains "I don't believe the ethics officer should fit into a silo. It is by default a function that is designed to fall across silo's … Once an ethics officer is put into a silo, the efficacy is lost".

Company D also had a clear ethics management structure with ethics officers within their various global divisions, however, these were additional responsibilities to their existing job portfolio. For instance, the chief ethics officer was also the company secretary. When questioned on why it was not a full-time position, the officer indicated that there simply was not the time requirement needed to justify a full-time position. The participants position as company secretary also facilitated effective communication with the organisation's leadership and the implementation of the ethics management programme throughout the organisation.

The reporting structures also varied amongst participating organisations. The reporting line was sometimes unclear, with some reporting to human resources, others to legal counsel, or the company secretary, or the social and ethics committee. 'Ownership' of the code of conduct was also vague. Some participants were themselves unclear who was ultimately responsible for the code of conduct, some citing functional managers or the company secretary, other executive management and the chief executive officer. One participant suggested that the social and ethics committee should be required to sign-off the ethics management programme to ensure it was effectively implemented.

There was consensus that systems and processes be put in place to ensure the code of conduct is integrated into the organisation taking into account the hierarchical structure and implementation on a strategic, tactical and operational level. It was suggested that implementation of the code of conduct should be monitored on functional and divisional levels.

Ethics office

The establishment of an ethics office and employment of ethics officers was not a common feature amongst participating organisations, most citing the cost involved and that the ethics management functions did not require a full-time position. The only organisation with a fully functional ethics office has several employees with an ethics management officer as head of the department with business and market conduct functionaries reporting to him.

The lack of a formalised ethics office amongst most participating organisations is a concern, and puts into doubt the ability of these organisations to implement an ethics management programme and code of conduct optimally. Referring to Rasberry (2000:19), the ethics office "truly serves as the organizational conscience, gently reminding management and employees alike to remember their ethical compass".

Ethics officer

Only two of the participating organisations have designated ethics officers, only one of which is a full-time position. The ethics officer, according to the full-time ethics management officer, is the custodian of responsible market and business conduct as well as people risk assessment. The participant reports directly to the social and ethics committee, and influences its agenda, membership and communication. The role also includes the responsibility for training, communication, establishment of advice lines and other processes being put in place. The role also necessitates that the ethics officer ensures regular reviewing of the code of conduct to ensure its relevance in a constantly changing business environment, and motivates a revision of the code of conduct when needed.

Education and training

While highly skilled and senior members of the organisation generally committed large scale corporate fraud, organisation A's participant emphasised the positive correlation between skills and ethical behaviour: "The more skilled employees there are the easier it is to run an ethical business… we have more losses attributable to willful omission; willful non-disclosure; lying by omission; than we have attributable to fraud". An example may be a sales employee without adequate sales education and training, who does not explain important clauses in the sales contract to a client, due to a lack of understanding of the contract (technical skill), and the hope of achieving a higher income without due regard for the client's needs (ethical skill).

More relevant skills result in an employee's improved ability to conduct activities ethically and in a technically correct manner. Employing people with the right skills needed to perform their duties is just the start, and the employees should also receive training once employed to ensure they are able to deal with the ethical challenges they may face. This entails extensive training on the code of conduct and extensive training on revised codes of conduct.

Training should be relevant to the position of employees and the risk profiles of their positions. Participants mentioned the training necessity for management, including leadership development programmes with ethics modules with a focus on cognitive ethical decision-making. While some participants felt that there was inadequate training in place, they unanimously agreed that it was needed, with some advocating that leadership should be the first tier in training provision.

Participants asserted that specific training included risk management officers receiving training on the risk function, and procurement officers and human resources officers on the rules and disciplinary consequences of employee misconduct. While training junior management and above is believed important, most felt that lower level employees did not need to receive training on the code of conduct – mostly due to the fact that they were not in positions to face ethical decisions and did not pose a risk to the organisation. One participant reflected on the impracticability of training such a vast number of employees, instead training was focused where there was a perception of risk.

It would seem that the above two paragraphs are contradictory. It is interesting that the first paragraph offered one participant's view that skills are correlated to better ethical decision-making, yet the other suggesting that unskilled employees do not receive, or receive limited, skills and training that could facilitate ethical decision-making.

Facilitation of training was varied and depended to some extent on the structure of the organisation. Some made use of their human resources functionaries in the different divisions of the organisations to facilitate training, while others relied on the ethics officer to provide such training, and when specific areas of expertise was required, such as safety, this could be facilitated by specific departments within the organisation.

Development of training material was also quite varied amongst participating organisations. It ranged from being informal in nature to being developed by the ethics officer or similar designation, to making use of specialist content developers.

Training provision made use of a number of methods. E-learning (although limited if employees do not have access to the internet or the skills to operate the technology) was a common feature with most participants agreeing that it allowed a wide reach in the face of geographical spread of employees and the format also allowed for language barriers to be overcome. In addition it made the code of conduct more accessible to employees. Some training tried to make use of visual techniques to also compensate for language barriers.

The frequency of training was mixed although most participants felt there should be ongoing training with regular refreshers of between once a year and once every second year.

The content of training varied. One participant spoke of training espousing the values of the organisation and explaining what they meant, the impact of ethical behaviour and reputational consequences of unethical behaviour, the concept of high and low risk, the importance of reporting misconduct, whistleblowing procedures, and the code of conduct

provisions, emphasising the fact that the code of conduct forms the backbone of the organisation.

Communication

The code of conduct was generally seen as a document that was not readily consulted, hence the need for active communication where individuals are encouraged to consult and engage on issues contained in the code of conduct. Employees need to be provided with examples of how the code of conduct is applied in order for them to be made more aware of the code of conduct and the consequences of contravention. As organisation C's participant asserts "we have included examples of fraud in communication and these have been very valuable to employees – the interaction makes them more aware. They see it not just as a lecture, but how policy is applied". The responsibility for communication should be structured to ensure that there is continuous communication throughout the organisation on ethical issues.

Sources of communication

A number of ways of communicating the code of conduct, training on the code of conduct, whistleblowing mechanisms, and ethics programmes were detailed by participants. These included posters on noticeboards, newsletters, email newsletters, company magazines, in-house television programmes, industrial theatre with its ability to transcend language barriers, role playing, video examples, internet, intranet, workshops, awareness questionnaires, copies in offices, and inclusion in contracts (including supplier codes of conduct).

Some participants felt their communication on ethics and the code of conduct were lacking in intensity, while one highlighted the concern that top management did not drive communication.

Possible methods to improve communication and awareness of the code of conduct were suggested by Rossouw and Van Vuuren (2010: 255), such as an ethics awareness programme, which includes orientation sessions by management or ethics practitioners on the importance of ethics; the rationale and value of a code of conduct; guidance on how to apply the code of conduct; and the ramifications of non-compliance.

Access to the code of conduct

Most participating companies have an annual acceptance process in place where employees acknowledge that they understand and accept the provisions of the code of conduct – although whether this ensures that they have access to the code of conduct is unclear. Only one organisation provided each employee with a hard copy booklet of the code of conduct.

Whistleblowing

The importance of whistleblowing was made apparent by one participant who suggested that a code of conduct only became 'real' due to whistleblowing – the pivotal role that whistleblowing played in the identification of contraventions of the code of conduct. According to organisation D's participant, the facility should be made clear in the code of conduct – "It is vital that your tip-off's availability is stated clearly in your code of conduct".

When asked whether participants felt the whistleblowing mechanism to be successful, they all felt that it had an impact on reporting of misconduct, but ranged from mediocre enthusiasm regarding its effectiveness to affirmations that whistleblowing had contributed towards combating fraud and corruption. It also provided examples to individuals in the organisation of the consequences of misconduct.

One participant emphasised how management was taking it very seriously hence its success, while another stated that it needs to be worked on to ensure long term success. It needs to be supplemented with training and workshops.

The problems participants experienced in establishing effective whistleblowing mechanisms included trust in its anonymity, difficulties in providing an international toll-free number, language barriers in call centres. Information and access to whistleblowing mechanisms should be easily accessible through the internet, intranet, and tip-offs can also be made through post, fax and email – drop-boxes were one organisation's solution where telecommunication was limited.

An issue was raised as to who should manage the whistleblowing line? Most participating organisations had opted for external hotlines, while one participant cautioned against management by those who would investigate reports as this could compromise the trust in the whistleblowing line. The ethics office was seen to have an overseeing role of whistleblowing, but should not investigate the matter themselves.

Participants emphasised the need to respect anonymity and investigate all reports. "Most whistleblowers would prefer to remain anonymous. People must be confident that they will stay anonymous – you have to respect their anonymity" according to organisation D's participant.

Other reporting mechanisms

One organisation described the success of line reporting and other reporting structures, suggesting that up to 80% of misconduct reports originated from internal fraud reporting. There was a general preference for management reporting as this allowed for the collection of a lot more relevant information than the whistleblowing hotline would garner.

Recruitment

Recruitment should ensure that people of the right skill and character are employed by the organisation, as organisation A's participant cautioned that even the most well thought out ethics management programme will be unable to compensate for the lack of character of an employee and "our primary risk management strategy is to place people with the appropriate skill and character in authoritative positions".

On appointment, participant organisations had varied requirements from new employees regarding the code of conduct. Some included the code of conduct as a standard item in their employment contracts, some were required to provide written acceptance of the provisions of the code of conduct. Others did not include the code of conduct in their recruitment process, or only required a certain management level and upwards to sign and accept provisions of the code of conduct.

Rossouw and Van Vuuren (2010) highlighted the importance of recruitment, selection and induction to ensure the correct person is selected for a particular position. Selection interviews and simulation techniques were suggested as ways to determine whether employees were able to make values aligned decisions; reference checking to mitigate fraud risks; and possibly, controversial psychometric testing, to determine ethical values.

Induction

Most participating organisations provide ethics modules and code of conduct training during induction of new employees, with some organisations requiring employees to sign their acceptance of code of conduct provisions at this stage. In high-risk areas, or as a

requirement for progressing to higher levels of management, some organisations provide more intensive induction training including more detailed ethics and code of conduct training.

Performance appraisal

Though Rossouw and Van Vuuren (2010: 261) supported the view that ethics should be included in performance appraisals, ideally as a key performance area, most performance appraisals by participating organisations did not take into account ethical issues or code of conduct compliance. Some participants reflected that misconduct would detrimentally affect performance appraisals, but that ethical behaviour was not included as a key performance indicator. When codes of conduct provisions were included in performance appraisals, they were succinct in that they related to the code of conduct (such as safety or respect for others), but were not specifically mentioned.

Reward

Most participating organisations did not have a reward system in place, some questioning whether this is necessary, as organisation D's participant explains "we expect ethical behaviour as an inherent quality, so we wouldn't want to say that someone who acted ethically be rewarded, as you then imply that others are less ethical". Some organisations rewarded employees for reporting misconduct through the whistleblowing mechanisms, developing innovations that combat fraud and theft, or provided rewards to external parties for assisting in theft prevention (an example would be payment of rewards to outsourced security personnel for detecting theft).

There was a stronger emphasis by participating organisations on recognising employees for displaying exemplary ethical values rather than rewarding them. Some would recognise employees in their internal publications, while others would be recognised at monthly or annual prize giving events.

The controversy regarding rewarding ethical behaviour was also reflected in the literature, yet both Forshey et al. (2007: 24) and Brown and Trevino (2004: 79) espoused the value of such rewards – Trevino (1986) went as far as to suggest that not only is ethical behaviour seldom rewarded; but often unethical behaviour is rewarded. An example may be achieving sales targets without due regard to ethical sales practices.

Misconduct

All participating organisations investigated reports of misconduct. The investigative process differed to some extent between organisations. One organisation felt that investigations should take place on a divisional level, and would only be escalated to group level if they involved a divisional head or there was potential reputational damage.

One organisation gave an example of its investigation process: All reports received would be distributed to the forensic department, company secretary and two functional heads. The forensic department would lead the investigation. The social and ethics committee would only be involved if there was potential reputational risk. Once the investigation was complete, it would be decided whether disciplinary or legal action be taken if necessary.

One particular participant described how examples of misconduct and the resulting investigations were used to make employees more aware – they explain the investigation, they relate it to the code of conduct; discuss what went wrong – so employees can understand the seriousness of contravening the code of conduct.

Reporting on compliance

Reporting on code of conduct compliance and levels of misconduct was limited, in contrast to the KPMG Business Codes of the Global 200 (2008) findings that 88% of those organisations (the Global 200 organisations) monitor compliance with many of those reporting on compliance.

Where there was reporting, participants referred to internal reporting. Only two organisations provided some level of external reporting on fraud, misconduct, and outcomes of investigations in the annual financial statements. One participant confirmed that if there was detection of widespread fraud, it would be disclosed publicly. In terms of legislation, South African organisations would be obligated to report misconduct in certain circumstances; examples include the Prevention of Organised Crime Act 121 of 1998 and the Financial Intelligence Centre Act 38 of 2001.

Auditing

Internal auditing on the code of conduct took place in two participating organisations. Auditing of the whistleblowing hotline and anti-bribery policy was also mentioned as auditable items. Only one organisation referred to an external audit of the annual declaration of acceptance by employees of the code of conduct provisions.

The limited auditing taking place on code of conduct effectiveness may be explained by the complexity of developing such an audit. Martin (2010: 154) critiqued code of conduct effectiveness auditing that counts the number of people who have received a code of conduct; who have received training on the code of conduct; who have signed a code of conduct; and counts the number of violations reported by their whistleblowing line. In the author's view, this type of audit did not determine the embeddedness of the code of conduct. The author suggested that organisations needed to develop mechanisms to determine whether the principles encapsulated in the code of conduct were met.

7.2.7 Informal implementation methods

Three aspects of informal code of conduct implementation factors were discussed in the interviews, namely the role of the social and ethics committee, leadership and the corporate culture of the organisation.

Social and ethics committee

While the social and ethics committee is recommended by King III and a requirement in some cases in terms of the Companies Amendment Act 3 of 2011, organisation A indicated they already had such a committee in place prior to the recommendation – "because it made business sense – it wasn't a tick box". The participant explains further that the social and ethics committee plays a custodianship role for ethics in the organisation and that "it is a strategic imperative for us to set that custodian role, on a group basis".

Although the social and ethics committee is a formal method of code of conduct implementation in terms of the ethics management structure, it is included as an informal method due to the leadership direction it provides.

The composition of the social and ethics committee differed between organisations but in general contained executives and non-executive members. In the organisation with an ethics office, the chief ethics officer was also a member of the committee.

The role of the committee was suggested as setting the policies, the framework, and providing the intellectual and operational support needed. The committee is generally not involved in routine misconduct investigations, but would become involved when the transgression happened at a senior management level or if there were potential reputational ramifications.

The concern raised by the chief ethics officer in one participating organisation was that without an ethics office or dedicated resource, the social and ethics committee would encounter difficulties in enacting its policies, therefore strongly advocated the establishment of such a resource in organisations.

Leadership

The organisation's leadership must drive the ethics agenda. Participants gave examples of how the chairman drove ethics, how letters from the chief executive officer to suppliers encouraged ethical behaviour and reporting of misconduct by employees in their relationship with suppliers, and how the tone at the top emphasised intolerance of bribes and corruption.

Participants stressed the role of leadership, although some participants expressed their concern that there was a lack of drive from leadership on the code of conduct, and wished that this would change over time. In terms of motivating employees in ethical behaviour, participants spoke of the importance of the "tone at the top", "buy-in" by leadership, "leadership will", ethics must be "top of mind", and "values based" leadership. To quote the participant from organisation C: "There has to be management will. If it is not there, you can have the best code in the world, the best policies in place, it won't be effective".

The alignment of intentions and actions by leadership was similarly stressed by participants, where the code of conduct should not be "lip-service" by management, and that leaders must "walk the talk". This view is supported by Yukl (2006: 425) who suggested that leaders actively and publicly oppose unethical behaviour, redress unethical decisions, and assist individuals reporting misconduct.

Communication by leadership on the code of conduct and ethical issues was also regarded as a significant contributor to ethical behaviour: They suggest that ethics be addressed in meetings, in communications, in publications, examples of ethical blunders should be debated, recognition should be given for ethical behaviour, leaders should have an open door approach to discuss ethics, and welcome suggestions on improving the ethical climate. In organisation E, "Ethics is communicated freely by management such as at monthly staff meetings where ethics regularly comes up. At the monthly regulatory meeting, ethics is a standard item on the agenda". The ownership of the code of conduct, one participant felt, should rest with the chief executive officer, who should drive its effective implementation and provide the necessary resources to do so.

Ethical culture

The ethical culture of organisations has been a constant theme throughout this thesis and the interviews provided support for the view that an ethical culture is imperative to the success of a code of conduct.

Participants generally felt that the code of conduct contributes to the ethical climate of the organisation, but at the same time an ethical environment is needed that stresses the importance of the code of conduct's provisions, to ensure that the code of conduct is effective. The corporate culture reflects the organisation's values while the code of conduct provides guidelines on what is right and wrong in terms of those values. Repeating organisation F's viewpoint (previously used in this chapter when the consequence of enhancing an ethical culture was proposed), the "code of conduct can play a role in improving the ethical culture. It is like a family – you have your own set of values. The code makes sure everybody understands what is right and wrong. Sets the tone".

When acquiring companies, the participant from organisation D mentions how those companies had to have the right management in place that would accept their corporate culture. The companies acquired also had to have an existing ethical culture to ensure that no 'bad-apples' were acquired.

While respecting national cultures, the participant from organisation I highlighted the fact that employees throughout the organisation must accept and abide by the code of conduct provisions and the organisation's corporate culture: "whether or not it is relevant to their cultures? We have not really considered this. This is the way it is. Fit in or don't. This is our culture and the way we operate".

7.2.8 Individual's characteristics

Understanding ethical decision-making is a challenging topic as reflected in the literature review – concepts such as the individual's stage of cognitive moral development (Kohlberg: 1969 and Trevino: 1986); ethical blindness (Hoffrage et al., 2012); the influence of emotions (Gaudine and Thorne, 2001: 177); the level of emotional arousal (Gaudine and Thorne, 2001: 179); and mindfulness (Ruedy and Schweitzer, 2010: 81 – 82) were all aspects that could influence an individual when making ethical decisions.

While individual characteristics and individual decision-making were not directly questioned in the interviews conducted, in some of the interviews the importance of individual characteristics became apparent.

Customers were one area of concern. Organisation A's participant explains: "An important factor is the desirability of a client. If there is a moral problem with the client, he is likely to give us a legal problem in the future". A customer with poor moral integrity could provide legal problems in the future, a corrupt relationship between employees and client could develop, and risks posed to the organisation could include the threat of theft, fraud, corruption, and internal syndicates.

Another area of concern was employees. Ethical characteristics were suggested by participants as being both the individual values imported by employees from their own backgrounds and values adopted by individuals from the organisation through the businesses' ethical culture. The implication is that while employees bring to the organisation their own set of morals and values, various interventions could align these to the organisations' ethical culture. Organisation A's participant again provides insight in this regard "How do you manage people risk? The most effective manner is through teaching responsible behaviour … people risk originates from how people live their values". While the participant believes people can be taught responsible behaviour, he is also of the opinion that the ethical environment of the organisation and it's interventions to improve ethical behaviour, will be less effective towards people with poor moral character. Therefore the participant stresses the importance of employing people with the correct values as he suggests that no degree of control or control framework could compensate for the lack of character of individuals.

Carroll and Buchholtz (2006: 199 – 201 and 228) suggest that individual's ethical decision-making is affected by a wide-ranging number of factors such as cognitive moral development; personal values; society's moral climate; and financial needs, which could contribute or compromise their ethical behaviour, or as this participant suggested, result in people with poor moral character.

This view would emphasise the importance of a suitable recruitment process to ensure the employment of individuals with values aligned to the organisation, as well as the necessity to have an effective code of conduct with training and education interventions to support ethical decision-making.

7.2.9 Organisational characteristics

Some of the characteristics of an organisation that could influence code of conduct effectiveness were discussed in the interviews, and included aspects such as the age, size and structure of the organisation.

The age of the organisation could be reflected in the ethical maturity of the organisation. As the participant from organisation C suggests "codes of conduct are different and so is their effectiveness. Therefore, it depends on the level of maturity of the company, the maturity of management". Some participants argued that well established companies had strong values – these were reflected in the code of conduct. Relatively young companies may still be grappling with ethical issues, their code of conduct, and the implementation of an ethics management programme – one participant reflected that their company had grown so rapidly they simply did not have the time to engage and consult on ethical issues.

The significant size of many of these organisations and the potential they have to dominate markets and economies require a responsibility by these organisations to utilise their influence responsibly. As the participant from organisation B considers "in some of our markets, we are one of the biggest companies operating in those countries, and we need to use the influence positively".

In terms of code of conduct implementation, large organisations require a communication infrastructure to ensure the code of conduct principles are conveyed throughout the organisation, while training mechanisms need to be implemented to ensure all necessary employees receive adequate training on the code of conduct – e-learning could be utilised when there is wide geographic spread. The ethics management programme and code of conduct implementation need to take cognizance of the organisation's hierarchical structure and global operations.

Weller (1988: 391) also provides some insight on promoting a code of conduct taking into account the hierarchical structure, proposing that in "a decentralized organization, middle management will be a more effective source of authority for promoting a code of ethics than upper level management; in a centralized organization, upper level management will be a more effective source of authority for promoting a code of ethics than middle management; a code of ethics that is supported by all levels of management will be more effective than a code that is supported by one level of management but not the other".

An issue that was not addressed in the interviews was the structural mechanisms that could enhance an ethical work context as was conjectured by Ariño et al. (2009:478), such as rewarding group performance; organisational design that furthers teamwork; building layout that encourages informal communication; and rules that create a stable working environment. The authors also suggested behavioural mechanisms to enhance the ethical work context, these included providing feedback to employees; fairness in disciplining;

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developing a collective identity; encouraging a sense of achievement; access to resources; involvement and fairness in decision-making; and employing competent people.

7.2.10 Industry dynamics

In general participants felt it important that codes of conduct and their implementation be aligned with the industry in which the organisation operates in order for them to be relevant. This concurs with the findings by Canary and Jennings (2008: 273 – 275) that codes of conduct were unalike between industries, indicative that different industries required different content in order to make them relevant to the particular industry in which they operated. It was also mentioned in the interviews that ethics risks differ between industries and the types of employees employed in different industries and that the code of conduct needs to take cognizance of these risks. The interviews provided some examples of how the industry impacts on codes of conduct – some of these will be discussed below.

In the information and communications technology sectors, the participants felt that their organisation enabled information and communication, and they therefore had some level of moral responsibility towards improving lives in areas in which they had operations.

The participants from organisations in the mining industry reflected on how their operations were geographically determined by where the resources were found and that they had a significant impact on the communities in which they had mining operations, and that these communities would become dependent on the mines for employment, development and social upliftment – moral responsibilities that need to be reflected in their code of conduct and corporate social responsibilities. Due to the close relationship with small communities, the organisations had to guard against conflicts of interest.

Safety is a key priority of these organisations, and the code of conduct had to provide for the safeguarding of employees by the organisations and detailed employees' responsibility to adhere to health and safety policies. Language barriers were also a concern, as organisation C's participant states that "Not all employees will understand the code of conduct. It will need to be explained to them. Relevant aspects of policies are translated into four or five languages that are sent to lower level supervisors who must convey the information to lower level employees".

The retail industry code of conduct was suggested as being reflective of the nature of their business: "We buy something, we sell something. Buyers working with suppliers need to know the code. Our business is simple, it is about relationships with buyers and sellers"

according to organisation E's participant. Organisation E's participant also raised the issue that their outlets are often in small communities and they needed to find a balance between making a sustainable impact without the perception of bribery. Product sourcing from developing nations was a critical issue for these organisations who had to try to obtain merchandise at the best possible price without compromising international labour standards and global guidelines in the process.

The health and pharmaceutical industry also face the risk of compromised relationships between the organisation's employees and sellers and buyers. It was felt that gifts policies were necessary to curtail unethical behaviour in the procurement department, and that the marketing team be trained and guided on ethical marketing. As the participant from organisation D deliberates "the marketing teams are at the coal-face – they need to sell. They get specifically trained on codes and told that they need to comply with codes. We also understand the risks involved. Foreign counterparts have been fined billions of dollars because of marketing practices."

The banking and insurance industry participants both spoke of the concern in their sales divisions and that the code of conduct had to cover their activities and that mechanisms are introduced to monitor and control behaviour in this regard.

The beverage industry participant deliberated on their environmental impact and how they had to take cognizance of sustainability issues in their code of conduct. Sales were again an issue as the organisation is performance driven – the code of conduct needed to emphasise that ethics override the attainment of rewards. Policies and code of conduct provisions also needed to be adapted to take into account the nature of its product and employees and management's use of the products of the organisation. The organisation also deals with small suppliers and the code of conduct and management policies had to take into account their moral responsibility for supporting these firms and ensuring that they had the necessary efficiencies of scale to be able to provide products cost effectively.

7.2.11 Influence of political, economic, social, technological, legal and environmental factors on the code of conduct

During the interviews, a number of external environmental factors were discussed in terms of their impact on code of conduct development and implementation. Interview insights regarding these environmental factors will be discussed below.

Political

A common challenge to the multinational organisations participating in the research was the level of corruption in many of the countries in which they operated or wish to operate. They would sometimes find the levels of corruption to be impossible to contend with and refrain from doing business in these countries. Organisation D's participant explains how "there are certain countries that we choose not to operate in due to bribery and corruption in the long term it will cost us money and is not sustainable", and organisation E's participant provided an example of their commitment to ethical business practices when stating "We have never made a bribery payment. We have literally had stuff rot in customs due to our refusal to pay a bribe". Others would operate in these countries and would try deal with the challenge in an ethical manner, citing business interests and their contribution to social upliftment as motivating factors for them doing business in these countries. One participant spoke of how the organisation was lobbying with government to try to change the level of corruption that was endemic in certain countries.

Two participants raised the relationship the organisation had with regulators, arguing that it is necessary to interact, network and engage with regulators in affairs that had a direct bearing on the organisation, but that it is necessary to do this on a professional basis – one participant confirmed that their anti-bribery policy addressed this issue.

Zimbabwe was mentioned with regard to their indigenisation laws of requiring ownership of 51% of companies operating in the country to be owned by the state. While one participating organisation had vested interests in Zimbabwe, another described how they would not invest in the country due to these laws, and would not operate in any country where there were foreign exchange problems, political instabilities, and where they may find it difficult to get money out of the country.

Broad based black economic empowerment (BBBEE) was mentioned in the South African context as an issue that needed to be taken into account, but two of the participating organisations stated that they refused to revert to tokenism in order to comply with BBBEE pressures.

These factors described in the interviews are relevant to code of conduct effectiveness in that the codes have to be relevant and contain provisions that address bribery and corruption, and address difficulties in operating on a global scale.

Economic

It has been argued that the propensity to commit misconduct is higher in economic downturns (McCoy, 2012:76), and while this was not an issue addressed in the interviews, topics that were covered included operating ethically in developing nations, and organisations whose supply chains were dependent on products manufactured in less developed economies – these organisations had to ensure that their operations were responsibly managed in these instances. Organisation I's participant describes how they have a separate code of conduct for suppliers and aim "for greater transparency in our supply chain. We are engaging with our suppliers to try ensure that there is no abuse of child labour etcetera. We would change suppliers. Where possible we source directly from manufacturers as this give us greater control".

Legal

The regulatory environment in which an organisation operates was viewed as both a benefit and a hindrance to participating organisations. On the benefit side, one participant felt operating in a heavily regulated environment where rules in the code of conduct were not seen as foreign, but rather as expected constraints on business activities, were easier.

King III and the Companies Amendment Act of 2011 have had a significant influence on participating firms' corporate governance. "King III had the following impact: The establishment of the social and ethics committee and greater level of governance; general feeling of sound governance and how this filters from the top through the business – through accountability and transparency; stakeholder engagement demanding accountability". It was not apparent in the interviews whether this had a direct impact on code of conduct content and its implementation as was found to be the case in the United States where the Sarbanes-Oxley Act of 2002 had a positive impact on organisations adopting or changing their codes of conduct to take into account this legislation (Canary and Jennings, 2008: 263 – 265). This is a topic that could warrant further research in determining the impact King III has on codes of conduct in South Africa – King III is a principles based approach while the Sarbanes-Oxley Act of 2002 is a more rules based approach.

Technological

Rapid technological change has significantly changed the business environment. Carroll and Buchholtz (2006: 258) describe how technology has had benefits of improved production of goods and services; better productivity; a safer working environment; and a better standard of living and life expectancy. In contrast, technology has also resulted in environmental

pollution and global warming; the depletion of natural resources; technological unemployment resulting from technology replacing human labour; and job dissatisfaction due to monotony of performing the same specialised tasks. A number of further challenges and opportunities resulting from technology came to light during the interviews.

One participant discussed how the values of businesses are mostly intangible – and that these intangible assets need to be guarded in an age where communication is so fast. Non-public information has to be protected and employees should be aware of what they can and cannot disclose on social media, as the participant from organisation A explains "the simple principle is 'don't talk about work' and 'don't air your grievances on public media'".

The organisation in the information and communications technology sector spoke of how information and communications technology could help improve people's lives even in countries with poor human rights histories, and the participant strongly defended their investment in such countries due to the perceived social benefit.

E-learning is another technological advantage with most organisations having adopted some form of e-learning in communicating the principles contained in their code of conduct. Other technological advances improving communication and access on the code of conduct included email newsletters and in-house television programmes.

Social and cultural

Human rights were incorporated into most participating organisations' code of conduct and were touched upon during the interviews conducted. The argument posed by organisations operating in countries with a poor human rights history was that they could potentially positively influence societies in which they operated and in engaging with government, potentially improve human rights in those countries.

Language constraints were a common challenge to organisations operating in the multi-lingual South African environment and range of languages spoken internationally, and they had to adapt their training, communication, and whistleblowing mechanisms, to take into account this constraint. Organisation B's participant explained one way this was done: "(We) make our training more visual as we have language barriers. We could also include industrial theatre and video-based examples of ethical dilemmas – this could help us overcome differences between countries". With regard to the code of conduct the participant also spoke of the organisation's wish to translate it into the different languages spoken by employees, although this process has not been started at the time of the interview.

With some organisations playing a significant role in smaller communities, participants felt they needed to protect themselves against conflicts of interests and bribery and corruption through their respective codes of conduct.

While respecting local cultures in countries in which companies operated and accepting that their code of conduct should aim to embrace all cultures, there was unanimous agreement that employees had to accept the organisation's culture and abide by its code of conduct provisions even if these were contrary to their societal norms. Organisation D's participant put this point across well in stating "we understand that there are different cultures, and that something may be allowed in some countries and not in others. But we have our corporate culture and our corporate values supported by our code of conduct. We say to our employees that those practices may be allowed over there, but our code of conduct is the one you need to comply with" and concludes that "I think our code of conduct is broad enough to embrace all cultures".

Whether their codes' of conduct were in actual fact suitable for the various countries in which these organisations operate is uncertain and would require further research to determine. Such research has taken place in the United States of America, where Weaver (2001:4) found that American organisations operating globally implemented ethics programmes that were often not suitable for a particular social context.

The issue was raised in the interviews that in some cultures whistleblowing was perceived negatively as snitching on colleagues. The participant from organisation E discusses the problem: "In African nations, it is not their culture to 'rat' on someone. They also feel they will be identified".

Organisation I's participant described how stakeholder engagement was becoming much more of a necessity than before and required a greater level of transparency and accountability: "Stakeholder engagement is on an international level. We are listed overseas. Greater accountability, shareholders look at softer issues. Fund managers and proxy houses scrutinize annual reports and give feedback to their clients. New positions are been created within these structures including the appointment of the EFG (Environmental, social and governance) manager, and they are looking at you from an ethical point of view".

7.2.12 Conclusion: Interview findings

The interviews were analysed using the grounded theory process of coding that identified consequences and amplifiers of effectiveness. Consequences referred to the benefits of

code of conduct effectiveness and included the code of conduct furthering the strategic objectives of the organisation; ensuring code of conduct relevance; guiding employees in making ethical decisions; encouraging disclosure of misconduct; discouraging misconduct; promoting an ethical culture; and advancing good corporate governance practices. Amplifiers were described as concepts and interventions that could improve effectiveness, such as conscience; inspiration; engagement; relevance; access; structure; processes; accountability; sustainability; and responsibility. The interviews were then further coded against the guiding questions and represented in Tables 4.1 – Table 4.9 of Appendix 4.

The interviews indicated significant support for codes of conduct to be aligned with strategic objectives. Special mention was made of the social and ethics committees recommended and required in South Africa by King III and the Companies Amendment Act 3 of 2011 and how it engendered a more strategic focus towards ethics by organisations interviewed.

Some of the participants reflected on the weaknesses of codes of conduct, such as being too legalistic, being inconsistent with values and policies, and not being properly communicated – hence the need for revision. The revision process by organisations were varied, but a common weakness identified, was the lack of broader consultation, especially consultation with lower level employees, raising the concern that these codes of conduct may not be relevant to the broad range of employees and stakeholders to which they apply. The revision process sometimes raised the awareness of shortcomings in the ethics management infrastructure, and could facilitate the introduction of such infrastructure.

Contemplating their codes of conduct, a common concern was that their codes were too complex, bureaucratic and long. The rationale for codes of conduct were questioned, with some holding the view that codes were legalistic to protect the organisation and failed to educate and guide employees. The choice between a directional or aspirational code of conduct was examined, with a range of viewpoints highlighted, including the view that the choice is dependant of the type of organisation and the industry in which it finds itself.

While numerous provisions were discussed, provisions regarding bribery and corruption in the code of conduct were of special interest to most participants. Some described how they would not operate in certain countries due to the high levels of bribery and corruption, while others suggested their involvement in countries such as these, and in countries with poor human rights records, could in actual fact benefit these societies.

In terms of formal implementation concerns, only two of the organisations participating in the research had an ethics office and employed an ethics officer, one of which was a secondary

function only. Furthermore, there seemed to be varied reporting structures with regards to ethics management, and these were sometimes vague or unclear. While training methods were varied with e-learning providing a useful platform to reach a wider audience, training on ethics and the code of conduct was limited and often not structured, and facilitation of training, was often relegated to functional areas within the organisation – this could again be a reflection of an inadequate ethics management programme and infrastructure being in place.

Few of the organisation's participating in the research included ethics in performance appraisals, although literature provides a strong argument for including ethics as a key performance indicator. While there are valuable arguments in favour and against rewarding ethical behaviour, the majority of organisations had no reward system in place to recognise ethical behaviour.

Auditing within organisations of aspects of their ethics management and code of conduct effectiveness was limited or non-existent. While this could be the result of the intrinsic difficulty in auditing code of conduct effectiveness, it is a concern that the organisations have not attempted to discern the effectiveness of the ethics management programme or the effectiveness of the code of conduct.

While one organisation had an existing social and ethics committee, the adoption of the social and ethics committee by the rest of the participating organisations was as a result of King III and the Companies Amendment Act 3 of 2011, signifying a change in the necessity of organisations to prioritise ethics. From a leadership perspective, it also encourages leadership involvement in ethics management including code of conduct development and implementation, although the concern is raised as to whether ethics management can be effective without a formalised ethics office to carry out the ethics agenda.

Individual characteristics were considered important in a number of ways. A participant regarded the selection process as the ideal opportunity to ensure people of the correct ethical calibre are employed – a valuable way to mitigate people risk. One participant suggested that the relationship with customers be evaluated – the "desirability of a client" – to ensure that business relationships do not result in problems such as theft and fraud.

It was clear from the interviews that organisations from different industries faced different risks, which necessitated unique code of conduct provisions and entailed unique implementation.

The challenges of communicating and training on the code of conduct in the multi-lingual environment in South Africa, Africa and globally were highlighted, as well as the challenges of communication within a range of educational and skill levels and wide geographic spread. Interventions suggested to facilitate better understanding of codes of conduct included e-learning; industrial theatre; use of diagrams and examples; and translation of the codes of conduct.

The applicability of the code of conduct across cultural and national borders was another topic that perhaps requires further research. Participants were mostly of the view that employees and relevant stakeholders must apply their code of conduct irrespective of whether they are aligned to their personal social norms – suggesting that their codes of conduct may not have taken into account the global nature of their operations.

The research findings provide a valuable foundation for Chapter 8, where grounded theory will be applied in order to develop a framework for an effective code of conduct; a multi-dimensional model for an effective code of conduct; and augment the Global Business Standards Codex developed by Bettcher et al. (2005).

7.3 Additional research findings

While it is not a research objective of the study, the findings provide insight into the application of codes of conduct in the South African context. As a developing economy with high levels of poverty, low levels of education and skills, and racial inequalities, participating organisations in the research had certain unique responsibilities as sometimes reflected in their codes of conduct.

For example, many of the subject organisations' codes of conduct included responsibilities towards transformation and broad based black economic empowerment, while others detailed the responsibilities the organisation had towards the communities in which they operated. The range of languages and cultures of the communities in which organisations operated and from where employees were sourced necessitated adaptation of codes of conduct and their implementation, for example, whistleblowing lines to allow for confidential reporting in the employees home language, and the use of diagrams in codes of conduct to facilitate understanding of the content by those with literacy challenges.

The impact of the King III principles and the Companies Amendment Act 3 of 2011 is also a valuable outcome of the research, one example of which is that the research determined that all participating organisations introduced a social and ethics committee as required by the

Companies Amendment Act 3 of 2011, which resulted to some degree in the change to their business ethics management infrastructures.

As all the participant organisations were multinational organisations, most with operations in other African countries, the research further provides a better understanding of the challenges facing companies wishing to operate in countries with poor records in terms of human rights abuses, high levels of fraud and corruption, inefficient infrastructure, and a negative regulatory environment. Some participating companies found it unfeasible to operate in certain countries due to these types of factors, while others did, justifying their investments in terms of the viability of such a venture and the possible positive impact their operations have on society in these nations.

CHAPTER 8: CONCLUSION – FORMULAE FOR AN EFFECTIVE CODE OF CONDUCT AND MULTI-DIMENSIONAL MODEL FOR AN EFFECTIVE CODE OF CONDUCT

The research findings provide valuable insights into contributing factors to code of conduct effectiveness, and are the foundation for the proposed formulae for an effective code of conduct including recommendations for the codex (Global Business Standards Codes developed by Bettcher et al. (2005: 125 – 131)), as well as the development of a multi-dimensional model for an effective code of conduct. The chapter will conclude by summarising the contribution this research makes towards understanding the dynamics of code of conduct effectiveness; detail limitations of the research; and identify future avenues of research.

8.1 Formulae for an effective code of conduct

During the process of codifying, it became clear that a code of conduct is not in itself sufficient to ensure its effectiveness.

The literature review in Chapter 4 provided insight into some of the factors that could impact codes of conduct, namely:

- Aligning the code of conduct with strategic objectives;

- Conducting a relevant and consultative development and review process;

- Ensuring the code of conduct emulates the existing value-orientations of the organisation, its culture, and is written in such a manner to facilitate understanding and recallability;

- Making sure the code of conduct is properly implemented;

- Leadership support for the code of conduct, driven by leaders and supported by a facilitating corporate culture; and

- Account being taken of the impact of individual characteristics; organisational context; industry context; and the external environment.

The process of applying grounded theory to the interview results through coding and memo writing identified amplifiers that could be leveraged to influence these factors in order to achieve the consequences of effectiveness. The consequences of effectiveness are listed as follows:

- They further the strategic objectives of the organisation;

- They ensure relevance of the code of conduct's content taking into account the context of the organisation;

- They assist employees in making ethical decisions;

- They encourage the disclosure of misconduct;

- They discourage misconduct;

- They promote an ethical culture; and

- They further corporate governance.

The amplifiers conceptualised in Tables 4.1 – 4.9 of Appendix 4 and further codified in Tables 5.1 – 5.9 of Appendix 5 will be described in the Formulae for an Effective Code of Conduct. The formulae reflect a similar concept to the Global Business Standards Codex developed by Bettcher et al. (2005: 125 - 131) in that it can serve as a benchmarking framework for organisations to develop and implement their codes of conduct effectively, although on a much wider scale than the codex that explores the content of the code of conduct only.

With regards to the formulae for an effective code of conduct, attention is drawn to the following issues:

- Not all amplifiers apply to each formula detailed in the tables in this chapter. Only amplifiers that are relevant to a particular formula are included. Necessary duplication or repetition will also be noted between some of the amplifiers and formulae. For example, the provision of a code of conduct, training, and whistleblowing in languages spoken by members of the organisation receives attention from the perspective of the amplifier of access in the formula relating to content of the code of conduct; the formula relating to the formal implementation mechanism of training; and the formula accounting for the external environment. This is not a weakness of the formulae for an effective code of conduct, but rather a

reflection of the wide range of interrelated influencing factors that need to be taken into account when developing and implementing codes of conduct.

- The formulae are classified similarly to the guiding questions, although this does not imply that data was manipulated to 'fit' into the guiding questions. The guiding questions were drafted at the research proposal stage of this thesis based on intuitive factors that could impact the effective impact of a code of conduct. These guiding questions were further developed during the literature review, for example, the question as to whether a code of conduct needs to be aligned to strategic objectives, was only introduced after the literature review was completed. The formulae uses the factors raised by the guiding questions as a framework to the classification of the formulae, and then through the amplifiers and data obtained from the interviews, describes how these factors can be positively influenced to facilitate an effective code of conduct.

8.1.1 Contribution of the formulae for an effective code of conduct

The extensive past research into codes of conduct would beg the question: What do the formulae for an effective code of conduct contribute towards the understanding of code of conduct effectiveness? To better understand the contribution of the formulae it is necessary to again reflect on prominent research and writings on codes of conduct effectiveness covered previously in the literature:

1. Kaptein and Schwartz (2008: 118) proposed the 'integrated research model for the effectiveness of business codes'. The model provides a valuable visual conceptual framework of some of the influencing factors that can be taken into account when researching the effectiveness of codes of conduct. Some of these factors are similar to the researcher's guiding questions, or reflected in the research findings. For example, the external characteristics in the model could be compared to the political, economic, social, technological, legal and environmental influencing factors specified in the last formulae.

   However, the integrated model was developed to provide suggested standardisation in research on code of conduct effectiveness, and was not meant to provide guidelines on methods to improve code of conduct effectiveness, which the formulae do. The formulae, through its tables provide more detailed guidelines on how these factors contribute to the effectiveness, and through the specification of the amplifiers

of effectiveness, the formulae address what kind of impact the factor has on effectiveness.

For example, if one considers the formal implementation mechanisms in the formulae for an effective code of conduct that could influence the code of conduct, one of the many aspects detailed is the necessity for access (as an amplifier to effectiveness) to the code of conduct and whistleblowing mechanisms. It considers training; language barriers; annual signed confirmation by members of the organisation of their understanding of the code of conduct, to mention a few suggested methods to improve access. This is in contrast to the integrated model of Kaptein and Schwartz (2008) whose model generally discusses implementation and administration of the code of conduct without providing much guideline in this respect.

2. The content and benchmarking of codes of conduct was a topic that received research attention by Kaptein (2004). Researching over 200 codes of conduct the author identified common themes found within codes of conduct that could serve to guide others in developing their codes of conduct. The author described the various provisions pertaining to stakeholder responsibilities, stakeholder principles such as transparency and accountability, corporate values detailed in the codes, and expected internal employee conduct.

The codex presented by Bettcher et al. (2005) was developed through a similar methodology of analysing codes of conduct, which they then represented in the codex of principles that specified responsibilities of stakeholders, employees and the organisation in upholding certain standards of behaviour.

Both Kaptein (2004) and Bettcher et al's. (2005) benchmarking frameworks provide valuable insight into suitable content of codes of conduct, and the codex of Bettcher et al. (2005) was instrumental in analysing participating organisations' codes of conduct.

They do not, however, take the analysis much further than the provisions within codes of conduct. In the formulae for an effective code of conduct, the content formula takes Bettcher et al's. (2005) codex and supplements it with a further table (Table 10: Code of conduct architecture) that suggests that additional important decisions need to be taken when drafting a code of conduct, such as the tone of the code of conduct, its recallability, and the decision to adopt a directional or

aspirational code of conduct. These are termed the 'architecture' of the code of conduct.

It was also outside the ambit of both Bettcher et al. (2005) and Kaptein's (2004) research and proposed code of conduct benchmarking to go any further than the content of the code of conduct. The formulae for an effective code of conduct considers content of the code of conduct as just one of many aspects that contribute to code of conduct effectiveness, and proposes a holistic approach to improving code of conduct effectiveness.

3. Rossouw and Van Vuuren's (2010) depiction of codes of conduct and the institutionalisation of ethics within organisations have been extensively covered in previous chapters. In terms of institutionalising ethics, the authors discuss the necessity to institutionalise ethics on a strategic level, a systems level, and on an operational level. The authors reflect on the ethics management role players and touch upon the ethics management structure, but seldom consider the role the code of conduct can play in this regard.

The formulae for an effective code of conduct provides a valuable reciprocal link between the institutionalisation of ethics discussed by Rossouw and Van Vuuren (2010) and the role the code of conduct plays in this regard. For example, the first formula reflects on the necessity for ethics to be institutionalised on a strategic level, with the code of conduct becoming a strategic imperative and being treated as a 'living document'. Another example may be the formula on the formal implementation methods of a code of conduct, where processes are suggested that incorporate provisions of the code of conduct, therefore, institutionalising ethics on an operational level.

The formulae are divided into the guiding question categories and are presented in tabular format as follows. The tables are self-explanatory and much of their content described in the research findings (Chapter 7). In order to limit repetition, a brief discussion of the application of certain amplifiers are only discussed with regards to the first formula.

8.1.2 Alignment of the code of conduct with strategic objectives

The effectiveness of the code of conduct is dependent on it being regarded as a strategic document used to facilitate and enhance the ethical culture of the organisation. Table 7 below details this particular formula.

Table 7: Alignment of the code of conduct with strategic objectives

Alignment of the code of conduct to strategic objectives	
Amplifiers	Description
Conscience	The code of conduct must be a "living document" that is relevant and the cornerstone to the organisation's ethical values.
Inspiration	The code of conduct must be a strategic initiative driven by leadership and supported by the board of directors.
Engagement	Members of the organisation should engage, discuss and communicate on matters relating to the code of conduct to ensure the organisation learns and incorporates these lessons into the code of conduct and its implementation.
Relevance	The code of conduct should provide guidelines of ethical behaviour that are aligned to the organisation, its values, and the personal values of members of the organisation.
Processes	The code of conduct must be supported by an ethics management programme, and when possible, operational policies and procedures should incorporate code of conduct provisions. One particular recommendation is the requirement that members of the organisation sign an annual declaration signifying their support and understanding of the code of conduct.
Accountability	Accountability, sometimes termed "ownership" or "custodianship" of the code of conduct, should be specified. This responsibility could rest with the board of directors, a social and ethics committee, or the chief ethics officer.
Sustainability	Ethical standards espoused in the code of conduct should be applied with the view to ensuring and facilitating long term profitability and sustainability of the organisation.

Application of the amplifier of conscience would entail ensuring the code of conduct becomes a "living document" – a document that is used and applied – and which espouses the organisation's ethical values. The amplifier of inspiration, which refers to the ability of the organisation's culture and leadership to stimulate ethical behaviour, requires board approval; the prioritisation of ethics and the code of conduct as a policy document; the revision process to be driven by leadership; and that the code of conduct should aspire to exceed simple legal compliance.

8.1.3 Structured and relevant development and revision process

A well thought out development and revision process can help ensure the code of conduct's content is relevant, that it is understandable, and supported by members of the organisation and its stakeholders. Table 8 describes the amplifiers relevant to the development and revision process.

Table 8: Structured and relevant development and revision process

Structured and relevant development and revision process	
Amplifiers	Description
Conscience	Organisational values should drive and underpin the development and revision of the code of conduct.
Inspiration	The development or revision of a code of conduct should be driven by executive management, incorporate consultation with various levels of management, and new and revised codes of conduct should have leadership approval to ensure that there is a clear mandate for its implementation.
Engagement	Broad consultation and benchmarking should be followed in developing and revising codes of conduct. Consultation could include external consultation with specialists in the field of business ethics or specific risk areas, various management levels, functions and divisions, representative employees at all levels of the organisation, and relevant stakeholders.
Relevance	The code of conduct should be reviewed on a regular basis and revised when necessary to ensure alignment with the organisation's values, objectives, risks, legislative environment, global standards, and changing context.
Access	Awareness and interest should be aroused in the organisation regarding the code of conduct development and revision process to encourage participation and support of the process.
Structure	A social and ethics office (similar to that suggested by King III) or similar ethics management structure could be used or introduced to support the implementation of the new or revised code of conduct. Necessary time and company resources should be committed to such a structure, the review process, and the implementation of the new code of conduct.
Processes	Executive and senior management, as well as individuals involved in coordinating the code of conduct development or review, should be provided with training in order to better understand the revision process, and ethics management in general.
Accountability	The code of conduct development and revision process should determine the relationship and requirements expected from external stakeholders such as suppliers and customers.
Responsibility	Stakeholders should be involved or consulted in the development and revision of the code of conduct to ensure the code of conduct takes cognisance of the organisation's responsibility towards its stakeholders.

8.1.4 Suitable, relevant, recallable and understandable content in the code of conduct

The content of the code should be suitable, relevant, recallable and understandable. The Global Business Standards Codex developed by Bettcher et al. (2005: 125 – 131) is a valuable framework in benchmarking actual content of the codes of conduct. However, the research findings indicate that codes' of conduct content need to take cognisance of certain amplifiers detailed in Table 9 below.

Table 9: Suitable, relevant, recallable and understandable content in the code of conduct

Suitable, relevant, recallable and understandable content in the code of conduct	
Amplifiers	Description
Conscience	The code of conduct must reflect the values of the organisation and these values should be incorporated into the code of conduct as an introductory section in the document.
Relevance	The code of conduct should be benchmarked against best practices of code of conduct content. The choice of a directional (rules based), aspirational (values based), or combination of the two, should be relevant to the organisation and the organisation's context. The code must provide flexibility to allow for interpretation and ethical decision making. The code of conduct could refer to policies, procedures, guidelines for further assistance in ethical decision making. The code of conduct should be user friendly, visually appealing, and simple to facilitate understanding and recallability.
Access	The code of conduct should be readily available, provide ease of referral through a clear structure and index, be available in the languages spoken by members of the organisation and relevant stakeholders, and lower level employees should be provided with relevant code of conduct provisions in a format understandable to them.
Processes	The code of conduct must guide and educate employees regarding responsible behaviour and ethical decision making, detail consequences of misconduct, be suitable for use when disciplining employees for contravention of the code's provisions, and provisions of the code of conduct should be suitable for incorporation into the policies, procedures, employment contracts, and annual declarations of the organisation in order to facilitate compliance.
Accountability	The code of conduct should take into account regulatory rigour needed, the ability to enforce and discipline those for contravening provisions, while avoiding a too "legalistic" and complex code of conduct. If needed, the organisation should supplement the code of conduct with a supplier code of conduct to prevent conflicts of interest, bribery, human rights abuses, and contravention of international labour standards. Organisations in certain industries and geographical regions play a significant role in the community and unique conflicts of interest may arise which should be covered in the code of conduct. Accountability in specific risk areas can be covered in the code of conduct, such as prohibitions against the disclosure of non-public information, inappropriate gifts and entertainment, conflicts of interest, and fraud and corruption.
Sustainability	The code of conduct should contain provisions protecting the organisation.
Responsibility	The code of conduct should contain provisions protecting employees, the general public, and society. Codes of conduct could also include provisions to ensure adherence to human rights principles and international labour standards, protection against the abuse of their market dominance, and the restriction of their political involvement.

8.1.5 A reflection on the Global Business Standards Codex developed by Bettcher et al. (2005: 125 - 131)

The codex remains a valuable framework with which to analyse codes of conduct and certainly highlighted shortcomings in the codes of conduct analysed by the researcher, however, the codex lacks certain provisions in their various principles, and fails to detail some elemental code architecture.

The codex can still be utilised when benchmarking codes of conduct content, but the analysis should also include an identification of further factors that could be utilised in developing the content for an effective code of conduct. Table 10 is a supplementary formula to the codex detailing issues of code architecture that may be useful when developing a code of conduct.

Table 10: Code of conduct architecture

Code of conduct architecture - additional issues to be considered when developing the content of codes of conduct (based on research results detailed in Table 4.1 of Appendix 4)		
Element	Category	Description
Standard provisions - Rossouw and van Vuuren (2010: 243-244)	Rationale	The code of conduct should provide the rationale for the code of conduct.
	Values and principles	The code of conduct should espouse ethical values, principles or standards.
	Guidelines	The code of conduct should provide guidelines for conduct, ethical decision making, and explain sanctions for misconduct.
	References	The code of conduct should provide reference to other resources.
Aspirational versus directional	Focus and tone	The choice must be made between an aspirational, directional, or a combination of the two that is suitable for the organisation. The code of conduct should allow for discretionary decision making, and it should facilitate enforcement of its provisions. The code of conduct could use inclusive terms such as 'we' and 'us' to engender support for the code of conduct. The code of conduct could focus on positive behaviour expected rather than negative behaviour condoned. The code of conduct could be motivational to encourage members of the organisation to apply its principles and report misconduct.
Strategic importance	Message	The code of conduct should contain a letter from leadership signifying the strategic importance the code of conduct holds.
Structure	Contents page	The code of conduct should contain an index to ease referral to the code of conduct.
	Visual appeal	The code of conduct should be visually appealing and be easy to read.
	Recallability	The code of conduct should facilitate recallability.
	Graphics	The code of conduct could use graphics to facilitate understanding and compensate for language barriers.
	Pages	The code of conduct should find the balance between containing the relevant provisions without becoming too bulky.
	Sections	The section of the code of conduct should cover particular areas of the code and be easy to refer to.
Guidelines	Examples and guidelines	The code of conduct could provide examples of expected behaviour. The code of conduct could be supplemented with a separate document providing explanatory guidelines. The code of conduct should provide guidelines on misconduct procedures and whistleblowing mechanisms.
Assistance	Advice	The code of conduct should encourage members of the organisation to seek advice when unsure as to the correct course of action.
Signatory	Acceptance	The code of conduct should contain a signatory requirement for members of the organisation to signify that they have read, understood, and agree to abide by the provisions of the code of conduct.
Referral	Policies and standards	The code of conduct could refer to other policies of the organisation and the organisation may have a number of codes of conduct which could be referred to in the principal code of conduct. The code of conduct could refer to international labour law, human rights provisions and international business standards which the organisation adheres to and/or which it requires suppliers and other stakeholders to adhere to. The code of conduct could refer to industry standards that need to be adhered to. The code of conduct could make reference to statutory compliance and laws that are applicable to specific codes.
Global	Suitability	The code of conduct should be suitable globally for multinational organisations.

The code of conduct architecture first specifies standard provisions in a code of conduct as specified by Rossouw and Van Vuuren (2010: 243 – 244), namely the rationale for the code of conduct, the values and principles detailed, guidelines for conduct, ethical decision-making and sanctions for misconduct, and references to other resources.

The second significant element is the choice between aspirational, directional or a combination of the two. The tone and language are also areas that make an impact on such a decision.

Guidelines can be provided through the use of examples or secondary documents with the code of conduct guidelines detailed, and guidelines should be provided for reporting misconduct. Seeking assistance when facing difficult decisions should be encouraged. A signatory requirement in the code of conduct could result in people referring to the code of conduct more frequently.

The necessity to not only consider the content of the code of conduct, but also architectural aspects such as those contained in Table 10, was supported in some past research findings. For example, Kaptein and Wempe (1998: 857 – 860) advocated that 12 ethical dilemmas, which they termed Gordian Knots, had to be resolved when developing codes of conduct. Some of these reflect the architecture listed, such as the choice between positive and negative wording; rules of behaviour versus guidelines for actions; description of actual conduct versus improving the ability to make a moral judgement; ambitious versus realistic goals; detailed versus concise; concrete versus general; internal versus external emphasis; and non-binding versus compulsory.

8.1.6 Implementing a code of conduct through suitable formal implementation mechanisms

The code of conduct should be effectively implemented through formal implementation methods. The amplifiers applicable to the various implementation techniques are detailed in Table 11 below.

Table 11: Implementing a code of conduct through suitable formal mechanisms

Implementing a code of conduct through suitable formal mechanisms	
Amplifiers	Description
Conscience	Trust in the commitment by leadership towards the code of conduct must be developed. The use of the whistleblowing line should be encouraged through training, ensuring the maintenance of confidentiality, and displaying a commitment to act on all reports.
Inspiration	Implementation of the code of conduct, with the backing of leadership support, should encourage members of the organisation to take and ethical stand. Employees who further ethical behaviour and the spirit of the code of conduct should be celebrated.
Engagement	To ensure people consult and engage on the code of conduct, sufficient training and communication on the code of conduct should be facilitated. Various training methods should be used to ensure the greatest geographic scope, most relevance, and best understanding. Examples of misconduct and the ramifications of such activity should be conveyed to members of the organisation to learn from these experiences and understand the investigative, disciplinary and sanctions that may result. The effectiveness of the code of conduct should be audited and reported upon.
Relevance	Formal implementation should be relevant to the organisation's context and risk areas. Recruitment should ensure the organisation employs individuals who have the necessary skills and ethical strength of character to make the right decisions.
Access	Every member of the organisation and relevant stakeholders should be provided with a code of conduct and be required to verify on an annual basis their acceptance and understanding of the provisions of the code of conduct. Training should take into account language barriers and be adapted accordingly. Whistleblowing hotlines and mechanisms should be accessible in the language of members of the organisation.
Structure	An ethics management programme should be developed to provide the support for code of conduct implementation. An ideal management structure would include an ethics office with a chief ethics officer or similar designation supported by additional specialised staff if necessary. Systems and processes should be developed to support the ethics management structure. The reporting line should ideally be to executive management, or the social and ethics committee, and the ethics officer should engage across functional divisions.
Processes	Provisions of the code of conduct should be incorporated into strategic, tactical and operational levels of the organisation.
Accountability	Training should convey the consequences of employees contravention of the code's provisions, the importance of reporting misconduct, and reporting mechanisms. Adherence and promotion of the code of conduct provisions should be included in key performance indicators of performance appraisals. Contravention by suppliers of code of conduct provisions should result in fines or the discontinuance of the use of their services.
Sustainability	The organisation must operate within ultimate ethical boundaries. Whistleblowing and other control mechanisms should be implemented to protect the organisation from fraud, theft and a plethora of business risks.
Responsibility	Code of conduct implementation should be in line with regulatory requirements or guidelines.

8.1.7 Ensuring a facilitating ethical culture inspired by the organisation's leadership

The code of conduct's implementation should be supported through an ethical culture and be inspired by leadership. The amplifiers applicable to the ethical culture and leadership are detailed in Table 12 below.

Table 12: Ensuring a facilitating ethical culture inspired by the organisation's leadership

Ensuring a facilitating ethical culture inspired by the organisation's leadership	
Amplifiers	Description
Conscience	Values should be driven by leadership and permeate all levels of the organisation.
Inspiration	Leadership must show commitment and dedication towards an ethical organisation and should signify this support through a code of conduct introductory letter and regular communication on numerous levels reiterating this commitment. Management must set the example of good ethical practices. The code of conduct should contribute towards an ethical culture while acknowledging that an ethical culture is needed for a code of conduct to be effective.
Engagement	Leadership should lead the drive in encouraging members of the organisation and stakeholders to comply with the code of conduct provisions and report misconduct.
Structure	The composition of the social and ethics committee or similar structure should contain executive and non executive directors as well as the chief ethics officer to ensure leadership's role in promoting the ethical agenda of the organisation.
Processes	The social and ethics committee or similar structure should play a custodian role which includes guiding policy making, providing structural support through the ethics office, providing intellectual and operational support, and been involved in investigations of misconduct at a senior level or which could have reputational repercussions.
Sustainability	A social and ethics committee or similar overseeing committee should be established to not just comply with regulatory rules and guidelines, but as a business imperative to ensure the organisation is managed in a sustainable manner.

8.1.8 Ensuring employees with high moral calibre are employed and that mechanisms are in place to assist their moral development and ethical decision-making capabilities

Section 4.4 provides insight into the complexity of ethical decision-making abilities, and included circumstances affecting decisions, individual characteristics, cognitive moral development of the decision maker, ethical blindness (Hoffrage et al., 2012: 333 – 334), the role of emotions (Gaudine and Thorne, 2001: 177), mindfulness (Ruedy and Schweitzer, 2010: 73), and the organisational context.

In terms of this formula, attempts should be made to employ members of the organisation who display the requisite moral calibre and they should be provided with the education and

skills training to help them make ethical decisions. The amplifiers applicable to the individual decision-making capabilities are detailed in Table 13.

Table 13: Ensuring employees with high moral calibre are employed and that mechanisms are in place to assist their moral development and ethical decision-making capabilities

Ensuring employees with high moral calibre are employed and their moral development furthered	
Amplifiers	Description
Conscience	Values of individuals in an organisation are determined by both the individuals' personal values and the organisation's values that they adopt through its culture, therefore, the organisation should ensure they employ individuals with aligned values to the organisation.
Relevance	The code of conduct should provide guidelines for ethical individuals to conduct their activities in an ethical manner.
Processes	The organisation should provide the necessary training and education to assist members of the organisation in ethical decision making.
Accountability	The organisation should avoid entering into a relationship with customers and clients who could pose a threat to the business due to their moral rectitude.
Sustainability	The organisation should protect itself from corrupt relationships between employees and customers or clients and guard against the threat of fraud and corruption.

8.1.9 Ensuring the organisation's context is accounted for in the development, content, and implementation of the code of conduct

The literature suggested that the context of the organisation could have a bearing on the ethical behaviour within organisations. These include the ethical work context, the organisational culture, organisational learning, organisational size, stage of the organisation's life cycle; structure of the organisation; influence of technology; perceived pressure for results; corporate strategy; and leader-follower dynamics (George and Jones, 2012: 497; Ariño et al., 2009: 479 – 485).

Cognisance of the organisational context should be accounted for in the development, content and implementation of the code of conduct. The amplifiers identified in the research that are applicable to the organisation's context are detailed in Table 14 below.

Table 14: Ensuring the organisation's context is accounted for in the development, content and implementation of the code of conduct

Ensuring the organisation's context is taken into account	
Amplifiers	Description
Conscience	Well established organisations tend to have entrenched values while younger organisations should take the time to develop, consult and promote their developing values.
Engagement	The large size of the organisation could require the organisation to develop various communication channels to promote understanding of their code of conduct provisions.
Relevance	Codes of conduct should evolve over time and be revised on a regular basis in order to be relevant to the organisation's business environment.
Access	The large size of an organisation could necessitate unique training methods to convey the principles of the code of conduct and technology such as e-learning should be embraced to provide a wide reach of communication.
Structure	Organisation's structures change over time and ethics management programmes and the code of conduct should be revised to take into account the changed organisation.
Accountability	The organisation's size could lead to potential dominance of a particular market or a dependence of suppliers, communities and other stakeholders on the organisation and the organisation should therefore guard against manipulation and protect those who are dependant on the organisation.

8.1.10 Ensuring the industry's context is accounted for in the development, content, and implementation of the code of conduct

The importance of the impact that the industry has on the development, content and implementation of codes of conduct must be evaluated. The amplifiers applicable to the industry's context are detailed in Table 15 below.

Table 15: Ensuring the industry's context is accounted for in the development, content, and implementation of the code of conduct

Ensuring the industry's context is taken into account	
Amplifiers	Description
Engagement	The impact that the industry has on the environment and society should be taken into account in the code of conduct and its implementation.
Relevance	Industry risks differ and the code of conduct should contain provisions relevant to those industry risks.
Access	When an industry's work force utilises predominantly lower level employees, who are unlikely to read or understand the code of conduct, ethics training should be implemented which is relevant to their function and for which they are accountable.
Processes	When a wide range of languages are spoken in an organisation, it should endeavour to translate the code of conduct, and facilitate training and communication to ensure members of the organisation understand their obligations in this regard.
Accountability	The code of conduct and its implementation should ensure accountability is entrenched for specific risks faced in the particular industry.
Sustainability	The code of conduct must be aligned and relevant to the industry in which it operates to ensure its sustainability in that particular industry.
Responsibility	Organisations in the information communication and technology industry should aspire to improve lives through technological advances in information and communications technology. When communities and societies are influenced, or are dependant on the organisation for survival, the organisation should embrace the responsibility and aspire to provide economic opportunities for community members and improve lives of community members.

Table 5.8 in Appendix 5 highlights the uniqueness of participating organisations within the different industries of financial and insurance, information and communications technology, mining, healthcare and pharmaceutical, general retail, and general beverage – the specific risk issues they face; and the potential impact they could have on the code of conduct and its effectiveness.

While it would be outside the ambit of this research to detail the range of industries found in the global economy and the ethical risks they face, the research does indicate that the industry context be evaluated when developing and implementing codes of conduct. To reflect on some literature, in terms of specific risk areas, Canary and Jennings (2008: 273 – 275) found that there were few content and structural similarities of codes of conduct between industries. Uniqueness was found to be prevalent in codes of conduct in controversial industry sectors (Cai et al., 2012: 468); the sales industry (Barnett and Valentine, 2002: 193); sporting goods industry (Kolk and Van Tulder, 2001: 278 – 279); mining industry (Emelianova and Sethi, 2006: 232 – 234); tourism industry (Dimanche and Payne, 1996: 999 – 1003) and the medical and energy industry (Montoya and Richard, 1994: 714 – 715).

8.1.11 Ensuring the organisation's external environment is accounted for in the development, content and implementation of codes of conduct

Cognisance of the organisation's external environment including the political, economic, social, technological, legal and environmental factors should be taken in the development, content and implementation of the code of conduct. The amplifiers applicable to the organisation's external environment are detailed in Table 16 below.

Table 16: Ensuring the organisation's external environment is accounted for in the development, content and implementation of the code of conduct

Ensuring the organisation's external environment is taken into account	
Amplifiers	Description
Relevance	Respect the cultures of societies in which the organisation operates and ensure the code of conduct is relevant to the countries in which it operates, without compromising the organisation's values.
Access	Take into account the different languages of employees within the organisation and aspire to provide translated versions of the code of conduct, provide training in a medium that is suitable to employees with different mother tongues, and explain the code of conduct in a way that is properly understood by employees.
Processes	Embrace technological advances such as e-learning, e-mail, and satellite television to facilitate access and training on the code of conduct and ethical decision making.
Accountability	Embrace the greater level of accountability expected from stakeholders and endeavour to be good corporate citizens. Ensure interaction and lobbying with government is done in a professional and ethical manner. Protect proprietary or non-public information and protect corporate reputation in the age of social media and speed of communication.
Sustainability	Refrain from operating in countries where high ethical standards cannot be maintained and where the organisation faces financial risk due to political instability. Refrain from operating in economies where the regulatory environment compromises business objectives.
Responsibility	Be responsible towards all stakeholders. Obey the law. Ensure minimum compliance yet aspire to greater levels of ethical behaviour. Advance human rights and international labour standards and endeavour to improve peoples lives in countries in which the organisation operates.

The Formulae for an Effective Code of Conduct developed by the researcher as a result of the grounded theoretical analysis serve as a helpful and theoretically sound benchmarking framework when evaluating current codes of conduct and embarking on the development or revision of a code of conduct.

The researcher will propose a model for effective codes of conduct that encapsulates the theory developed.

8.2 Multi-dimensional model for an effective code of conduct

It has been demonstrated that the factors specified in the nine guiding questions, namely alignment with strategic objectives; the development and revision process; suitable code of conduct content; formal implementation methods; informal implementation methods; individual ethical decision-making abilities; and the organisational, industry and environmental contexts, all have the propensity to influence the effectiveness of the code of conduct through the application of a range of amplifiers of effectiveness.

The formulae for an effective code of conduct incorporating the amplifiers of effectiveness developed by the researcher serve as a useful benchmarking framework to ensure that all factors contributing to code of conduct effectiveness are taken into account.

Intuitively, the researcher began visualizing a model early in the grounded theory development that could potentially be applied when developing and implementing a code of conduct taking into account potential factors of effectiveness. This model evolved as the research results and subsequent development of the formulae for an effective code of conduct provided the justification, support and structure for such a model. The final model developed is named the multi-dimensional model for an effective code of conduct and is discussed below.

8.2.1 The multi-dimensional model for an effective code of conduct

The multi-dimensional model for an effective code of conduct is represented below in Figure 4.
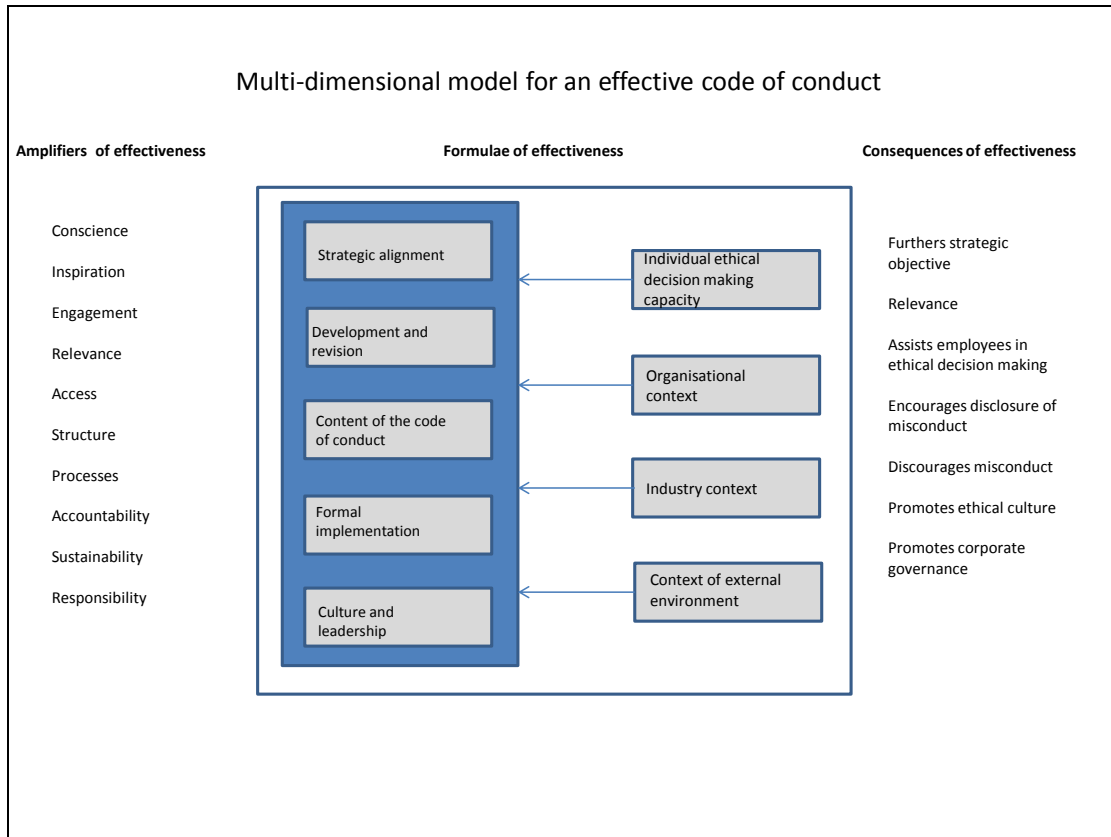
Figure 4: Multi-dimensional model for an effective code of conduct

The multi-dimensional model presents a visual interpretation of the key findings and theoretical development generated through the applied grounded theory methodology.

It specifies the amplifiers of effectiveness – the necessary approach to inculcate a code of conduct better, and facilitate the institutionalisation of ethics, within an organisation – namely the amplifiers of conscience, inspiration, engagement, relevance, access, structure, processes, accountability, sustainability and responsibility – all of which are detailed in the formulae for an effective code of conduct.

The formulae for an effective code of conduct ideally need to be applied in the development, revision and implementation of a code of conduct. This includes the recommendations of aligning the code of conduct with strategic objectives; embarking on a consultative and insightful development and revision process; ensuring content is relevant, espouses the values of the organisation, reflects its corporate culture, is easy to understand and recall

(utilising the Global Business Standards Codex developed by Bettcher et al. (2005: 122-133) and the code of conduct architecture developed by the researcher in Table 10); properly implementing the code of conduct including providing an ethics management structure, educating, training, communicating, ensuring recruitment, induction and performance appraisals take cognizance of the code of conduct, ensuring organisational processes integrate code of conduct provisions, and providing reporting and whistleblowing mechanisms; promoting an ethical culture and ensuring the code of conduct is supported and driven by leadership; also ensuring that attention is given to individuals' ethical stance and moral development; and that the organisational, industry and external environments are taken into account.

An effective code of conduct would generate consequences of facilitating strategic objectives, ensuring the code of conduct is relevant and assisting employees in making ethical decisions, encouraging disclosure of misconduct, discouraging misconduct, promoting an ethical culture, and ensuring good corporate governance.

Kaptein and Schwartz (2008: 118) developed the Integrated Research Model for the Effectiveness of Business Codes (see Figure 3) and it would be remiss not to reflect on this model in view of the multi-dimensional model presented above.

Kaptein and Schwartz (2008: 114 – 117) conducted a meta-analysis study to try and better understand the discrepancies in research findings on the effectiveness of codes of conduct – why is there such a wide range of conflicting research results on code of conduct effectiveness? They suggest that the mixed results were an outcome of contrasting business codes' definitions, definitions of effectiveness, the objectives of codes of conduct, the scope of the research, and research methods utilised.

Kaptein and Schwartz (2008: 118) suggest that the level to which the code of conduct influences members of the organisation's ethical behaviour depends on 1) the process utilised when developing the code of conduct, 2) the content of the code, and 3) implementation of the code. Implementation has to influence characteristics of members of the organisation and the organisational context (the researcher assumes this refers to structural and cultural dimensions of the organisation) before it can influence individual characteristics.

Kaptein and Schwartz (2008: 118) suggest that the effectiveness of codes of conduct be measured against expectations of stakeholders and external codes applicable to the business, and measured against the code of conduct's objectives.

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Kaptein and Schwartz (2008: 118 – 120) state that effectiveness needs to be contextualised to take into account the corporate characteristics, industry, economic conditions, and nature of the competition. The development process, content of the code of conduct, the existence of sub-codes (the researcher assumes this is in reference to supporting documents and policies), implementation mechanisms, personal characteristics of employees, internal context such as enforcement and leadership support, are all likely to influence the effectiveness of the code of conduct. The authors conclude that a code of conduct in itself is insufficient to have any meaningful impact within an organisation and has to be properly implemented.

The multi-dimensional model proposed validates much of the integrated research model of Kaptein and Schwartz (2008); shedding more light on improving the effectiveness of codes of conduct; and provides alternative approaches to improving the effectiveness of codes of conduct.

The development of the multi-dimensional model for an effective code utilised qualitative grounded theory to analyse factors that could influence the effectiveness of codes of conduct, and the multi-dimensional model was conceived from this theoretical development. In contrast, the integrated research model of Kaptein and Schwartz (2008: 118) was developed as a way to redress the discrepancies in research results on the effectiveness of codes of conduct and was intuitive in nature. The multi-dimensional model therefore further validates the intuitive integrated research model of Kaptein and Schwartz.

Both the models of the researcher and Kaptein and Schwartz (2008) reflect the process of developing the code of conduct, content of the code, and implementation of the code of conduct. The researcher goes further in this regard by proposing amplifiers that should underpin the development, content and implementation, and then provides a benchmarking tframework in the form of the formulae for an effective code of conduct.

In developing the corporate ethics virtues model, Kaptein (2008: 924 – 917) proposed a number of organisational virtues: the virtues of clarity; congruency; feasibility; supportability; transparency; discussability; and sanctionability. These virtues were regarded as contributors to the ethical culture of the organisation. The relationship between the amplifiers of effectiveness proposed in the multi-dimensional model for an effective code of conduct, and the virtues contained in the corporate ethics virtues model, can be explained in a number of ways. Importantly, the rationale for the virtues and amplifiers differ, namely that the virtues could be regarded as principles necessary for an ethical organisation, while the

amplifiers are influencing factors that can contribute to the effectiveness of a code of conduct.

As a result, the application of the amplifiers could further the virtues detailed by Kaptein (2008), in order to ensure an ethical organisational culture. For example, the virtue of clarity of ethical expectations could be achieved by ensuring amplifiers are implemented – the code of conduct is *relevant* to ethical dilemmas faced by members of the organisation; that members of the organisation have *access* to the code of conduct, that an ethics management *structure* is in place; and that operational *processes* are instituted to maintain code of conduct provisions.

Kaptein and Schwartz (2008: 120) suggest that personal characteristics of individuals can influence the effectiveness of codes of conduct – such as when the individual's values are in conflict to the organisation's values. The ability of the code of conduct to influence these characteristics is limited, which suggests that although implementation techniques of training and education can enhance individuals' moral development, that the individuals' personal moral aptitude restricts this.

Kaptein and Schwartz (2008: 118) suggest that effectiveness can be measured against stakeholders' expectations and external codes of conduct. The multi-dimensional model for an effective code of conduct takes the measure of effectiveness slightly further, proposing that measures of effectiveness should rather be against the consequences of effectiveness – facilitating strategic objectives, ensuring relevance, assisting employees, encouraging reporting, discouraging misconduct, promoting an ethical culture and corporate governance (one aspect of which would be the satisfaction of stakeholders' reasonable expectations).

Kaptein and Schwartz (2008: 118 – 120) suggest that effectiveness be contextualised to take into account corporate characteristics, the industry, economic conditions and competition. The researcher acknowledges that these research results did not include the impact of competitive forces except to address issues surrounding anti competitive behaviour, while Kaptein and Schwartz (2008) neglected to cover the wider external environment incorporating the political, economic, social, technological, legal and environmental factors.

The researcher concludes that while the formulae for an effective code of conduct and the multi-dimensional code of conduct support and validates the integrated research model of Kaptein and Schwartz (2008), they also provide additional texture to the discussion of codes

of conduct and a useful empirical tool with which to develop and implement codes of conduct.

8.3 Limitations of the research

The researcher acknowledges that there are limitations to the research conducted.

The scope of the research was limited in a number of ways. Participants were exclusively large multinational organisations, listed on the JSE and amongst the JSE FTSE Top 40 firms. The applicability of the research results, formulae, and multi-dimensional model to medium and smaller businesses; non-listed companies; and organisations of a non-commercial nature cannot be verified.

Only nine of the JSE FTSE Top 40 listed companies agreed to participate in the research. While this is a large proportion of the JSE FTSE Top 40 (23%) it is a very small proportion of listed and non-listed companies in South Africa that again questions the representativeness of the results to organisations in general.

Only one person was interviewed in each organisation, and as such, research results may not necessarily provide a representative view of the organisation's code of conduct. While the participants were tasked with ethics management or code of conduct implementation, their job specifications varied considerably – from chief ethics officers and company secretaries, to risk or fraud managers, or legal and human resources managers. The interview results could be influenced by their primary job specification – for example, a human resources manager may be influenced by the perceived role the code of conduct should play in disciplining and terminating employment of employees. Some participants were from well established ethics management infrastructures, while others were recently appointed to manage ethics management or code of conduct implementation in the absence of such structures. These aspects could all influence their perception towards codes of conduct and their interview responses.

In codifying the interview schedule and analysing codes of conduct, the researcher could not maintain objectivity as the researcher needed to use his own perceptions categorising these interviews and codes.

8.4 Future research opportunities

The research provides some interesting opportunities for further research.

One opportunity would be to apply the formulae for an effective code of conduct and the multi-dimensional model for an effective code of conduct in an organisation embarking on the process of developing a code of conduct to determine the practicability, suitability and benefit it provides to such an organisation – would it achieve the consequences of effectiveness and ultimately achieve the organisation's possible strategic goal to better institutionalise ethics in the organisation?

Longitudinal research could be valuable in determining the level of influence the application of the formulae for an effective code of conduct has on the consequences of a code of conduct.

Social and ethics committees had been recently introduced into all the organisations that participated in the research as a result of requirements of the Companies Amendment Act 3 of 2011 and King III recommendations, and even at this early stage, the interviews provided insight into the significant impact they were having on the ethics management structure of participating firms and corporate governance in general. Research into the adoption and impact of such a committee could provide insight into their structure, functions and impact.

Bribery and corruption were frequently addressed in the African context, and suggest a number of particular avenues of research, including the level of corruption experienced by multinational organisations operating in Africa; the impact that bribery and corruption have on the organisation's scope of business; and insight into precedents established by firms which do operate in countries with perceived high levels of bribery and corruption.

Self-reporting by employees of their own contravention of organisational codes of conduct was contained in one of the participating organisation's code of conduct. The rationale behind such provision could be to encourage a greater level of disclosure of misconduct through providing lighter sanction for those self-reporting. Research into the ability of such self-reporting to generate higher levels of disclosure could be valuable in providing empirical evidence of the effectiveness of self-reporting in generating higher levels of disclosure without encouraging higher levels of misconduct due to lighter penalties for contravention.

8.5 Research contribution

The research has a number of contributions to the understanding of codes of conduct, their effectiveness, and provides recommended methods to improve their effectiveness.

The formulae for an effective code of conduct, developed through a grounded theory methodological approach of coding the interviews and identifying themes, provide a valuable benchmarking framework for organisations, and ethics practitioners to develop and implement codes of conduct effectively. The formulae, through the code of conduct architecture further enhance the Global Business Standards Codex developed by Bettcher et al. (2005).

The multi-dimensional model for an effective code of conduct integrates the amplifiers of effectiveness, the formulae for an effective code of conduct, and the consequences of effectiveness, to provide a useful holistic model for code of conduct development and implementation.

Overall, this study made a valuable contribution to the field of business ethics in providing a benchmarking framework (termed formulae for effective code of conduct) and model (the multi-dimensional model for an effective code of conduct) to guide organisations and ethics practitioners in developing and implementing codes of conduct more effectively. In addition the research tested the application of the Global Business Standards Codex (Bettcher et al., 2005) and proposed the supplementary code of conduct architecture framework.

8.6 CONCLUSION

The research has successfully met the research objectives of developing a benchmarking framework to improve code of conduct effectiveness. The was achieved through the application of grounded theory methodology of identifying themes and categories in the research results, resulting in the determination of amplifiers that could be leveraged to better achieve the consequences of effectiveness established through this methodological approach. The theory development was encapsulated in the formulae for an effective code of conduct, a practical benchmarking framework that can guide organisations and ethics practitioners in better developing and implementing codes of conduct.

This methodological approach and its propensity to develop new theory also furthered the achievement of the second research objective, namely the development of a multi-dimensional model for code of conduct effectiveness. The model visually presented the

amplifiers, formulae, and consequences that depict the relationship between these factors in order to improve code of conduct effectiveness.

Finally, the research tested the Global Business Standards Codex developed by Bettcher et al. (2005) during the analysis of the content of participating organisations' codes of conduct, and presented the code of conduct architecture as a suggested further evaluation tool and benchmarking framework for the content of codes of conduct. In this way, the research met the third research objective of evaluating the codex.

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APPENDIX 1: NMMU REC-H ETHICS APPROVAL REFERENCE NUMBER H13-BES-BS-002

Nelson Mandela Metropolitan University

for tomorrow

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Ref: [H13-BES-BS-002/Approval]

RECH Secretariat: Mrs U Spies

18 April 2013

Prof JJ Pieterse
NMMU
Graduate School of Business
Wegspring Building – Room 108
Bird Street Campus

Dear Prof Pieterse

METHODS TO IMPROVE THE EFFECTIVE IMPLEMENTATION OF ORGANISATION CODES OF CONDUCT

PRP: Prof JJ Pieterse
PI: Mr B Robinson

Your above-entitled application for ethics approval served at the Research Ethics Committee (Human).

We take pleasure in informing you that the application was approved by the Committee.

The ethics clearance reference number is **H13-BES-BS-002**, and is valid for three years. Please inform the REC-H, via your faculty representative, if any changes (particularly in the methodology) occur during this time. An annual affirmation to the effect that the protocols in use are still those for which approval was granted, will be required from you. You will be reminded timeously of this responsibility, and will receive the necessary documentation well in advance of any deadline.

We wish you well with the project. Please inform your co-investigators of the outcome, and convey our best wishes.

Yours sincerely

Prof CB Cilliers
Chairperson: Research Ethics Committee (Human)

cc: Department of Research Capacity Development
         Faculty Officer: BES

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APPENDIX 2: QUALITATIVE RESEARCH SCHEDULE

(Interview conducted with the chief ethics officer or similar designation)

Guiding question 1: Does the code of conduct need to be aligned with strategic objectives of the organisation to be effective?

Does the code of conduct help you in achieving your business targets? How?

What was the motivation in adopting a code of conduct?

What role does the code of conduct play in managing ethics of your organisation?

Does your code of conduct enhance your reputation amongst stakeholders?

Does your code of conduct fulfil stakeholder's expectations?

Guiding question 2: How can the development and revision of the code of conduct enhance the effectiveness of the code of conduct?

Please explain the process followed when developing / reviewing your code of conduct

Who is consulted in the development of the code of conduct?

What role did your organisation's leadership play in the development of the code of conduct?

What role did your stakeholders play in the development of the code of conduct?

What role did employees play in the development of the code of conduct?

If employees were consulted in the development of the code of conduct, did the approach used generate support for the code of conduct by employees?

Guiding question 3: How can the content of the code of conduct enhance the effectiveness of the code of conduct?

How does the content of the code of conduct deal with ethical dilemmas your employees may face?

Please highlight the most important elements of your code of conduct that enhance ethical behaviour.

Why did you organisation opt for a directional (rules based) code of conduct rather than an aspirational (values based) code of conduct (or vice versa)?

In your view, are employees able to understand and apply the code of conduct?

Guiding question 4: What formal methods of code of conduct implementation enhance the code's effectiveness?

Is the code of conduct taken cognisance of in your recruitment, selection, and orientation programme?

Do performance appraisals take into account ethical behaviour?

Are employees rewarded (or recognised) for complying with provisions of the code of conduct, and if so, how?

How does your organisation facilitate access for employees to your code of conduct?

What education and training are provided to employees on the code of conduct?

Does the organisation encourage employees to report misconduct?

What whistleblowing mechanisms are in place?

Is the effectiveness of your organisation's code of conduct evaluated or audited?

Please discuss any other methods, processes or structures you have in place to enhance the effectiveness of your code of conduct.

Does your organisation report on compliance issues (to the public / to the board of directors)?

Guiding question 5: What informal methods of code of conduct implementation enhance the code's effectiveness?

Please explain the role of leadership in the management of ethics.

Please explain the role of other role players in the management of ethics (board of directors / leadership / different management levels / ethics officers / ethics divisions etc.).

What is the role of your leadership in determining the values of the organisation?

Are these leadership values entrenched in the code of conduct?

What role does leadership play in entrenching the code of conduct provisions within the organisation?

In your view, what role can a code of conduct play in improving an organisation's ethical culture?

Are executives provided with training on how to interpret and apply the code of conduct?

Guiding question 6: What impact do organisational dynamics have on the effectiveness of a code of conduct?

Would you classify your organisation as hierarchical or flat in terms of bureaucratic structure?

How can the code of conduct be better implemented within the organisation taking into account its structure?

How has the ethics management evolved within your organisation, and what role did the code of conduct play in this regard?

What impact do you believe the stage of the organisation's lifestyle (e.g. a relatively new organisation vs. an established organisation) plays in the effective implementation of the code of conduct?

Guiding question 7: What impact do industry dynamics have on the effectiveness of a code of conduct?

What particular ethical issues are faced by your organisation due to the industry in which you operate?

How are these issues dealt with in your code of conduct?

Is your code of conduct applicable to your supply chain management, if so, how?

Guiding question 8: What impact do political, economic, social, technological, legal and environmental factors have on the effectiveness of a code of conduct?

Does your code of conduct take into account different cultural norms in countries in which you operate, and if so, how?

What are the ethical challenges faced in countries in which you operate and does the code of conduct assist in dealing with these challenges?

How are the values entrenched in your code of conduct translated into your supply chain management to deal with issues such as unfair labour practices and corruption?

Does the implementation of your code of conduct take into account the multi-cultural environment of South Africa?

Does the political environment in South Africa cause challenges or opportunities that enhance or detract from the code of conduct?

What impact do the Broad Based Black Economic Empowerment (BBBEE) policies of the country have on the content and effectiveness of the code of conduct?

What impact have the King Reports had on your adoption, revision and implementation of your code of conduct?

Are there legal constraints (statutes and laws) that constrain the actions of your employees, and how does the code of conduct facilitate compliance with these legal provisions?

What risk does the technological evolution pose to your organisation (e.g. speed of communication / social networks) and how can the code of conduct be used to mitigate these risks?

How can the code of conduct advance the sustainable development of the organisation?

Has the economic downturn made it more difficult for employees and the organisation to comply with provisions of the code of conduct?

What other external factors can impact on the effectiveness of your code of conduct and how?

Concluding comments

Do you believe your code of conduct is effective and why?

Any other comments?

APPENDIX 3: CODE CONTENT ANALYSIS

Table 3.1: General overview

Code of Conduct: Content analysis										
These perceptions are those of the author.										
Evaluation Mechanisms	A	B	C old	C new	D	E	F	G	H	I
Aspirational versus directional (values or rules based code of conduct)	asp	direc	direc	asp	comb	asp	asp	comb	asp	direc
Does the code of conduct provide examples of expected behaviour?	yes	no	limited	yes	no	yes	no	yes	yes	no
Is the code of conduct supplemented with explanatory guidelines?	no	no	no	no	no	no	no	no	no	no
Does the code of conduct highlight the organisation's mission and values?	yes	yes	no	yes	yes	yes	no	yes	yes	yes
Does the code of conduct contain a message or letter from the chief executive officer or other leader?	yes	no	no	yes	no	yes	no	yes	no	yes
Does the code of conduct include a contents page?	yes	no	no	no	no	yes	no	yes	no	yes
Dies the code of conduct include a signatory requirement accepting and agreeing to the provisions of the code of conduct?	no	no	yes	yes	yes	no	no	no	no	yes
Does the code of conduct refer to International Global Codes?	no	no	no	yes	yes	no		yes	no	no
Does the code of conduct refer to professional or industry related codes of conduct?	no	no	no	no	yes	no			no	no
Is there a secondary code of conduct for suppliers?	no	no	no	no	yes	no	yes	no	no	yes
Does the code of conduct refer to other policies for more detail relating to specific codes?	yes	no	yes	yes	yes	yes	yes	yes	yes	yes
Does it use inclusive terms such as 'us' and 'we'?	yes	no	no	no	no	yes	yes	yes	yes	no
Does the code of conduct focus on positive behaviour expected or negative bahaviour condoned?	positive	negative	negative	positive	positive	positive	positive	positive	positive	negative
Is the code of conduct motivational in terms of been ethical?	yes	no	no	yes	limited	yes	limited	yes	yes	limited
Is the code of conduct suitable globally?	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Is the code of conduct visually appealing and easy to read?	yes	no	no	yes	no	yes	yes	yes	yes	no
Does the code of conduct facilitate recallability?	maybe	no	no	yes	no	no	yes	maybe	yes	no
Does the code of conduct use graphics?	yes	no	no	yes	no	yes	no	yes	yes	no
Does the code of conduct detail reporting of misconduct procedures and whistleblowing mechanisms?	yes	yes	no	yes	no	yes	no	yes	no	yes
Does the code of conduct allow for discretionary decision making?	yes	yes	no	yes	yes	yes	yes	yes	yes	no
Does the code of conduct encourage members of an organisation to seek advice when facing difficult decisions?	yes	no	no	yes	yes	yes	no	yes	no	no
Is the coce of conduct easy to enforce?	maybe	yes	yes	maybe	maybe	yes	maybe	yes	maybe	yes
Does the code of conduct make reference to statutory compliance?	yes	yes	limited	limited	yes	yes	yes	yes	yes	limited
How many pages is the code of conduct (no adjustments made for font size etc)?	26	16	10	15	7	30	4	24	10	10
How many sections are there in the code of conduct (main sections only)?	9	10	15	5	15	13	4	21	7	12
Rossouw and van Vuuren recommended content (2010: 243-244)										
Does it provide rationale for the Code?	yes	yes	yes	yes	no	no	no	no	yes	no
Does it espouse ethical values, principles or standards?	yes	yes	no	yes	yes	yes	no	yes	yes	yes
Does it provide guidelines for conduct?	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Does it provide guidelines for ethical decision making?	yes	limited	no	yes	limited	yes	yes	yes	yes	limited
Does it provide guidelines on sanctions for misconduct?	no	no	yes	yes	limited	yes	no	yes	yes	yes
Does it provide references to other resources?	yes	no	no	yes	yes	yes	yes	no	no	no

Notes
Company A used the Codex as a guideline in the development of their code of conduct.
Company B is in the process of revising their code of conduct - this analysis was of their old code of conduct.
Company C was in the process of drafting a new code of conduct. The analysis comprises two components, one the old code of conduct, the other the draft new code of conduct.
Company E's code of conduct was developed in the United States of America.
Company F's code of conduct is a summary of key issues, allowing for easy recallability, supplemented by an extensive sustainable development document that details ethical standards in more detail, as well as a comprehensive ethics policy. Hence the lack of detail in the codex analysis may be due to the aspirational tone of the code of conduct as well as the detail provided in the sustainable development guidelines and policy documents.
Company I was considering a revision of their code of conduct. The company felt that the code in its current directional tone did not reflect the values and culture of the organisation, and that they required an aspirational code of conduct.

Table 3.2: Codex fiduciary principles

Code of Conduct: Content analysis

Benchmarked against the Global Business Standards Codex (Bettcher, Deshpandé, Margolis and Paine, 2005: 125 and 127)

Fiduciary Principle
"Act as a fiduciary for the company and its investors. Carry out the company's business in a diligent and loyal manner, with the degree of candor expected of a trustee" (Bettcher et al, 2005: 125)))

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Diligence	Company	"Promote the company's legitimate interests in a diligent and professional manner."	FID 1	6	5	3	5	7	7	1	8	2	9	53
		"Maintain the company's economic health."	FID 2	1	2		1	5	2		2		2	15
		"Safegaurd the company's resources and ensure their prudent and effective use."	FID 3	3	2	4	4	3	6	1	2		2	27
		"Refrain from giving excessive gifts and entertainment."	FID 4		2		1	1	1	1	1	1		8
	Investors	"Provide a fair and competitive (or better) return on investment."	FID 5	1					1					2

Key concept	Constituency	Standard		A	B	C old	C new	D	E	F	G	H	I	Total
Loyalty	Company	"Use position and company resources only for company purposes (not for personal gain)."	FID 6	5	5	4	3	1	4	1	2		4	29
		"Disclose potential conflicts between personal and company interests."	FID 7	1	4	1	1	1	1	1	3		2	15
		"Refrain from activities involving actual conflicts of interest, such as self-dealing and competing with the company."	FID 8	1	3	2	1	1	1	1	2	1	2	15
		"Refrain from receiving excessive gifts and entertainment."	FID 9	2	3	1	1		1	1	2	1	1	13
		"Refrain from pursuing for personal benefit opportunities discovered through position or company resources."	FID 10	4	4	3	2	1	1	1	1	2	2	21
	Investors	"Refrain from trading in the company's securities on the basis of confidential information."	FID 11	3	3	2	2	1	3		2		2	18

				A	B	C old	C new	D	E	F	G	H	I	
		Total per company		27	33	20	21	22	27	8	25	7	26	

Table 3.3: Codex property principles

Code of Conduct: Content analysis

Benchmarked against the Global Business Standards Codex (Bettcher, Deshpandé, Margolis and Paine, 2005: 127)

Property principle
"Respect property and the rights of those who own it. Refrain from theft and misappropriation, avoid waste, and safeguard the property entrusted to you" (Bettcher et al., 2005: 127)

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Protection	Company	"Protect company assets, including confidential and proprietary information, funds and equipment."	PRO 1	5	4	5	4	7	6	1	7	1	4	44

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Theft	Company	" Do not misappropriae company resources through theft, embezzlement, or other means."	PRO 2	1	3	1	1	1	2		2		1	12
	Competitors	"Respect rivals' property rights, including those regarding intellectual property."	PRO 3	2	1				2			1		6

				A	B	C old	C new	D	E	F	G	H	I	
		Total per company		8	8	6	5	8	10	1	9	2	5	

Table 3.4: Codex reliability principles

Code of Conduct: Content analysis

Benchmarked against the Global Business Standards Codex (Bettcher, Deshpandé, Margolis and Paine, 2005: 127)

Reliability Principle
"Honor commitments. Be faithful to your word and follow through on promises, agreements, and other voluntary undertakings, whether or not embodied in legally enforceable contracts" (Bettcher et al, 2005: 127)

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Contracts	Suppliers/ partners	"Pay suppliers and partners on time and in accordance with agreed-on terms."	REL 1	1	2						1	1		5

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Promises	All	"Honor promises and agreements."	REL 2	1	2				1		1	1	1	7

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Commitments	All	"Fulfill implicit and explicit obligations to all constituencies."	REL 3	2	2				1		1	1	1	8

				A	B	C old	C new	D	E	F	G	H	I	
		Total per company		4	6	0	0	0	2	0	3	3	2	

Table 3.5: Codex transparency principles

Transparency principle
"Conduct business in a truthful and open manner. Refrain from deceptive acts and practices, keep accurate records, and make tinmely disclosures of material information while respecting obligations of confidentiality and privacy" (Bettcher et al, 2005: 127)

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Truthfulness	All	"Be honest and respect truth in all activities."	TRA 1	4	8	1	4	4	5		5	4	4	39
		"Record transactions in a fair and accurate manner."	TRA 2	2	2	1	1	1	1	1	3	2	1	15
	Suppliers / partners	"Deal with suppliers and partners honestly."	TRA 3	2	2	1	2		2		3	1		13

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Deception	Customers	"Avoid deceptive and misleading statements and omissions in customer-related activities, such as marketing, sales and research."	TRA 4		1			1	1	1		1	2	7
	Competitors	"Do not acquire commercial information by dishonest or unethical means."	TRA 5	1	1			1	3		1	1	1	9

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Disclosure	All	"Make timely disclosures of relevant financial and nonfinancial information."	TRA 6	1	2		2	1	1	1	2	2	1	13
		"Engage in transparent accounting and financial reporting."	TRA 7		2	1	2	1		1	2	2	1	12
	Investors	"Provide investors with relevant, accurate, and timely information."	TRA 8	1	2		1	1		1	2	1	1	10
	Customers	"Give customers adequate health and safety information, warnings, and labels."	TRA 9						1					1
		"Provide accurate information about the content, use, and maintenance of products."	TRA 10	1						1		1		3
	Employees	"Give reasonable notice of operational changes likely to have a major effect on employees' livelihood."	TRA 11	1							1			2

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Candor	Employees	"Communicate in an open and honest manner, subject to legal and competitive constraints."	TRA 12	4	2	2	1	2	1			1	1	14
	Public	"Communicate and consult with communities affected by environmental, health, and safety impacts of the enterprise."	TRA13	2	1	2	2	1	1	1	1			11

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Objectivity	All	"Adhere to independent auditing and financial-reporting standards."	TRA14	2	2	1			1		1	2	2	1	12

		Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	
		Total per company		21	25	9	15	14	16	8	22	18	13	

Table 3.6: Codex dignity principles

Code of Conduct: Content analysis

Benchmarked against the Global Business Standards Codex (Bettcher, Deshpandé, Margolis and Paine, 2005: 128 - 129)

Dignity principle
"Respect the dignity of all people. Protect the health, safety, privacy, and human rights of others; refrain from coercion; and adopt practices that enhance human development in the workplace, the marketplace, and the community" (Bettcher et al, 2005: 128)

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Respect for the individual	All	"Respect the dignity and human rights of others."	DIG 1	5	7	1	3	4	6	1	3	3	3	36
	Employees	"Adopt work practices that respect employees' dignity and human rights."	DIG 2	3	6	1	2	1	5		2	2		22
		"Prevent harassment in the workplace."	DIG 3	1	2		1	1	2	1	1		1	10
	Suppliers / partners	"Prefer suppliers and partners whose employment practices respect dignity and human rights."	DIG 4						1					1
	Public	"Support and protect human rights within the company's sphere of influence."	DIG 5	1	4		1	1	1	1	1			10

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Health and safety	All	"Protect human health and safety."	DIG 6	1	1	1	3	3	3	1	2	1	2	18
	Customers	"Ensure that products and services sustain or enhance customer health and safety."	DIG 7					1	1					2
	Employees	"Protect employees from avoidable injury and illness in the workplace."	DIG 8	1	1	1	1	1	3	1	1	1	2	13
		"Provide a work environment that is free from substance abuse."	DIG 9	1	1		1		1	1	1		1	7
	Suppliers / partners	"Prefer suppliers and partners whose work practices respect international labor standards on health and safety."	DIG 10					2						2

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Privacy and confidentiality	Customers	"Respect customers' privacy."	DIG 11	2	1			1	1	1		1	1	8
		"Protect confidential customer information."	DIG 12	2	1			2	1	1		1	2	10
	Employees	"Respect employee privacy."	DIG 13	1	1		1	1	1	1	1		2	9
		"Protect confidential employee information."	DIG 14	1	1		1	1	1	1	1		1	8

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Use of force	Employees	"Abstain from directly or indirectly using forced or child labor."	DIG 15					1	1	1	1	1		5
	Public	"Ensure that security personnel respect international standards on the use of force."	DIG 16				1	1	1	1	1	1		6
		"Contribute to the elimination of forced labor and abusive labor practices."	DIG 17					1	1		1	1		4

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Association & expression	Employees	"Recognize employees' right to free association and collective bargaining."	DIG 18		1		1	1		1		1		5
	Suppliers / partners	"Prefer suppliers and partners whose work practices respect international labor standards on free association and collective bargaining."	DIG 19					1						1
	Customers	"Respect customers' cultures."	DIG 20	2	1				2			2	1	8
	Public	"Respect local cultures."	DIG 21	1	1	1	1		2		3	2	1	12

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Learning & development	Employees	"Assist employees in developing skills and knowledge."	DIG 22	2	1			1			1			5
		"Create employment opportunities that enhance human development."	DIG 23	2	2						1	1	1	7

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Employment security	Employees	"Safegaurd employment and employability."	DIG 24		1						1			2

		Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	
		Total per company		26	33	6	16	26	33	13	22	18	18	

Table 3.7: Codex fairness principles

Code of Conduct: Content analysis

Benchmarked against the Global Business Standards Codex (Bettcher, Deshpandé, Margolis and Paine, 2005: 129 - 130)

Fairness principle

"Engage in free and fair compitition, deal with all parties fairly and equitably, and practice nondiscrimination in employment and contracting." (Bettcher et al, 2005: 129)

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Fair dealing	All	"Deal fairly with all parties."	FAI 1	5	8		2	4	10	1	7	4	4	45
	Investors	"Deal fairly with minority share owners."	FAI 2				1		1			1		3
	Customers	"Treat customers fairly in all aspects of transactions."	FAI 3	2	2		1		3			1	4	13
		"Set prices that are reasonable and commensurate with quality."	FAI 4			1							2	3
	Employees	"Offer fair and reasonable compensation."	FAI 5	1			1		1		1		1	5
	Suppliers / partners	"Deal fairly in all activities, including pricing, licensing, and rights to sell."	FAI 6		2		1		2		2	3	1	11

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Fair treatment	Employees	"Practice nondiscrimination and provide equal employment opportunity."	FAI 7	1	1	1	1	1	3	1	1	1	1	12
	Suppliers / partners	"Provide equal opportunity to suppliers owned by minorities and women."	FAI 8						3					3
		"Prefer suppliers and partners whose employment practices respect international labor standards on nondiscrimination."	FAI 9					1						1

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Fair competition	Competitors	"Engage in free and fair competition."	FAI 10	1	2			1	2	1	1	2	1	11
		"Refrain from colluding with competitors on prices, bids, output, or market allocations."	FAI 11	2	1			1	2	1	1	2	1	11
		"Refrain from seeking or participating in questionable payment or favors to secure competitive advantage."	FAI 12	2	2		2	2	4	1	1	2	1	17
	Suppliers / partners	"Require suppliers and partners to refrain from bribery and improper payments."	FAI 13		2		1	1	2					6

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Fair process	Employees	"Do not retaliate against employees who report violations of law or company standards."	FAI 14		2	1	1		2			1	2	9

		Standard		A	B	C old	C new	D	E	F	G	H	I	
		Total per company		14	22	3	11	11	35	5	14	17	18	

Table 3.8: Codex citizenship principle

Code of Conduct: Content analysis
Benchmarked against the Global Business Standards Codex (Bettcher, Deshpandé, Margolis and Paine, 2005: 130 - 131)

Citizenship principle
"Act as responsible citizens of the community. Respect the law, protect public goods, cooperate with public authorities, avoid improper involvement in politics and government, and contribute to community betterment." (Bettcher et al, 2005: 130)

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Law and regulation	All	"Obey applicable laws and regulations."	CIT 1	2	6	2	3	6	13	2	7	4	3	48
		"Do not participate in money laundering or other illegal activities that support terrorism, drug traffic, or other organized crime."	CIT 2	2	1		1	1	2		3	1	2	13
	Investors	"Do not obstruct legal rights of share owners."	CIT 3	1	1		1	1				1		5
	Competitors	"Adhere to competition laws."	CIT 4	2	3		1	1	2	1	2	2	1	15
	Public	"Adhere to environmental laws and standards domestically and internationally."	CIT 5	2	3	1	2	3	1	1	2	1	2	18
		"Adhere to the letter and spirit of tax laws and make timely payments of tax liabilities."	CIT 6	1	3		1	2	1			1		9

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Public goods	All	"Do not condone or participate in bribery or other forms of corruption."	CIT 7	3	5	2	3	2	2	1	1	2	2	23
		"Protect and, where possible, improve the natural environment."	CIT 8	1	1	2	2	1	1	1	1	1	1	12
		"Promote sustainable development."	CIT 9	2	1	1	2	1	2	1	1	2	1	14
	Customers	"Ensure that products and services sustain or enhance the natural environment."	CIT 10	1	1		1	2	1	1	1	1	1	10
	Suppliers / partners	"Prefer suppliers and partners who observe applicable environmental standards."	CIT 11	1					1		1			3
	Public	"Do not use lack of scientific certainty as a reason to postpone cost-effective measures to address threats of serious damage to the environment."	CIT 12											0

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Cooperation with authorities	Customers	"Cooperate with public authorities to address threats to public health and safety from the company's products and services."	CIT 13				1	1			1			3
	Employees	"Cooperate with employee groups, government, and others to address employment dislocations created by business decisions."	CIT 14								1			1

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Political non-involvement	Public	"Recognize government's obligation and jurisdiction concerning society at large."	CIT 15				1					1		2
		"Avoid improper involvement in political activities and campaigns."	CIT 16	2	3	1	2	1	2	1	2	1	1	16

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Civic contribution	All	"Contribute to the economic and social development of local communities and the world."	CIT 17	1	4	1	1	2	6	1	2	2	1	21
		"Develop innovations in technology, products, processes, and practices."	CIT 18	2							2			4
	Public	"Contribute to charitable causes."	CIT 19	1	1				1			1	1	5
		"Support employee involvement in civic affairs."	CIT 20		2	1			1		1		2	7
		"Take a leading role in preserving and enhancing the physical environment."	CIT 21	1	1	1	2	1	1	1	1	1		10

		Total per company		A	B	C old	C new	D	E	F	G	H	I	
				25	36	13	25	25	36	11	29	22	17	

Table 3.9: Codex responsiveness principles

Code of Conduct: Content analysis

Benchmarked against the Global Business Standards Codex (Bettcher, Deshpandé, Margolis and Paine, 2005: 131)

Responsiveness principle
"Engage with parties who may have legitimate claims and concerns relating to the company's activities, and be responsive to public needs while recognizing the government's role and jurisdiction in protecting the public interest." (Bettcher et al, 2005: 131)

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Addressing concerns	Investors	"Respect share owners' requests, suggestions, complaints, and formal resolutions."	RES 1		1		1					1		3
	Customers	"Offer products and services whose quality meets or exceeds customers' requirements."	RES 2	1			1						1	3
		"Provide timely service and remedies for customer complaints."	RES 3	1	1		1						2	5
	Employees	"Engage in good-faith negotiation in cases of conduct."	RES 4	2	2		1		2			1	2	10
		"Respond to employees' suggestions, requests, and complaints."	RES 5	2	1		1		1		2	1	1	9

Key concept	Constituency	Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Public involvement	Public	"Collaborate with community groups, and support public policies that promote economic and social development."	RES 6	1	4	1	1	3	6	1	2	3	1	23
		"Cooperate in efforts to eliminate bribery and corruption."	RES 7	1	4		3	1	1	1	1	2	1	15
		"Support and protect democratic institutions."	RES 8		3	1		1	2	1	2	1	1	12
		"Support diversity and social integration."	RES 9		3	1	1	1	4	2			1	13

		Total pper company		A	B	C old	C new	D	E	F	G	H	I	
				8	19	4	9	6	16	5	7	9	10	

Table 3.10: Additional content

Code of Conduct: Content analysis

Items found that were not specified in the Global Business Standards Codex (Bettcher, Deshpandé, Margolis and Paine, 2005: 131)

Standard	Ref	A	B	C old	C new	D	E	F	G	H	I	Total
Reporting mechanisms	X1	1	1		1		1	1	1		1	7
Employee remuneration outside of their employment	X2	1	1	1	1		2		2	1	2	11
Specific values codified, eg 'passion', 'teamwork'	X3	1			1							2
Celebrate firms success with humility and acknowledge success of other	X4	2										2
Not engage in negative office politics	X5	1										1
Reference to the organisations corporate culture	X6	1										1
Positive participation in performance appraisals	X7	1							2			3
Employees need to be innovative and respond positively to innovations	X8	1			1				1			3
Loyalty expected by employees towards the organisation	X9	1									1	2
Company time to be efficiently used to further organisations goals	X10	1		1			1					3
Monitoring / misuse of email communication	X11	1			1		2		2			6
Affirmative action / Broad based black economic empowerment	X12		1	1			1					3
Illness and disability	X13		1								1	2
Duty to discose convictions involving dishonesty	X14		1								1	2
Public interview / statement restrictions	X15		1	1	1	1	1		1		1	7
Collection, storage, distribution and types of confidential information	X16		1	1		1	1		1		1	6
Malicious / unfair whistleblowing	X17		1				1					2
Duty to diclose other directorships and interests	X18			1	1				3			5
Procedure for disclosing directorships and interests	X19			1					1		1	3
Duty to disclose shareholding in the organisation	X20			1			1					2
Innovation patent rights belonging to company not employee	X21			1	1							2
Restriction on possession of weapons	X22				1				1			2
Disclosing of gifts in asset register	X23				1						1	2
Detailing responsibilities of management and employees in the ethics management programme	X24						1					1
Personal (romantic / family) relationship with other employees	X25						1					1
Encourage self-reporting	X26						1					1
Prohibition of working without compensation	X27						1					1
Internationa trade regulatory compliance including sanctions and embargoes	X28						1	1		1		3
Disclosure of political contributions	X29							1	1			2
Consumption of alcohol at official social events	X30								1			1
Provision of affordable health care to employees	X31								1			1
Total		12	8	9	10	2	16	3	18	2	10	

Table 3.11 Supporting documents

List of supporting documents	A	B	C	D	E	F	G	H	I
(Nine organisations)									
Industry classification as per JSE sector									
Firm	A	B	C	D	E	F	G	H	I
Industry	Financial and insurance	ICT	Mining	Health & Pharmaceutical	General retail	Beverage	Mining	Financial and insurance	General retail
Code of conduct	1	1	1	1	1	1	1	1	1
Code of conduct for suppliers									1
Code of conduct for directors							1		
Covering leadership letter						1			1
Guideline manual								1	
List of policies and access information									
Policy document: Ethics policy				1		1		1	
Policy document: Fraud Prevention Strategy				1					
Policy document: Conflict of Interest Policy				1					
Policy Document: Whistleblowing					1				
Policy document: Anti-corruption					1	1			
Policy document: Health and safety							1		
Policy document: Environmental issues							1		
policy document: Political party donations									
Ethics training material				1					
Code of conduct training									
Employee signatory of codes			1					1	
Employee annual signature of code									1
Ethics management structure	1			1					
Ethics Programme				1	1				
Corporate strategy	1		1						
Mission / values statement						1			
Annual financial statements				1					
Ethics committee reports		1		1					
Corporate governance report / information		1	1	1					
Environ, risk, equator principle report	1								
King III compliance report							1		
Global compact report			1						
Sustainable development report						1			
Recruitment									
Selection									
Orientation								1	
Performance appraisal									
Access - hard copy									
Access - posters and marketing									
Access - internet									
Access - website	no								
Ethics Newsletters									
Listi of offences								1	
Whistleblowing information				1	1	1			
Statistics									
Disciplinary records									
Media	1	1			1	1		1	
Other				1		1			1
Source of documents	Website and participant	Website	Website and participant	Website and participant	Website	Website and participant	Website	Website and participant	Website and participant
Comments			old and new code						

Table 4.1: Strategic objectives

Guiding question 1: Does the code of conduct need to be aligned with strategic objectives of the organisation to be effective?

Categories	Theme	Theme frequency	Criterion	Amplifier	Consequences of effectiveness						
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp govern
Board approval	Board approval	1	Board mandate	Inspiration	1						1
Leadership	Good management	1	Good management	Inspiration			1			1	
Social and ethics committee	Custodian role	1	Ethical custodianship	Accountability	1					1	1
Revision	Strategic initiative	1	Drive	Inspiration	1						
	Annual	1	Regular board review	Relevance	1	1					
Prioritisation	Business ethics priority	1	Ethics priority	Inspiration	1				1	1	
	Code priority	1	Ethics committee	Inspiration	1						
	Processes	1	Direction	Processes	1						
Challenges	Longer process	1	Takes time	Processes	1		1			1	
	limit profitability	1	Short term	Sustainability	1						
	Reputation	1	Does not enhance								
	Sustainability	1	Ethics dependency	Sustainability	1					1	
Benefits	Business targets	1	Achievement	Sustainability	1				1		
General	Code of conduct improve ethical behaviour	1	Programme intiative	Processes	1						
	Impossible to eliminate	1	Avoid risk	Inspiration	1				1		
	Profitability	1	Long term	Sustainability	1					1	
	Prevents liability	1	Avoid fines	Sustainability	1						
	Improved supplier reliability	1	Delivery	Sustainability	1						
	Living document	1	Values	Conscience	1					1	
	Backbone to business	1	Importance	Conscience	1					1	
	Implicit	2	It is a given	Conscience	1					1	
	Systems and processes	1	Discourage misconduct	Processes	1				1		
	Ethical living	1	Guidelines	Relevance	1	1	1				
	Alignment	1	Code aligned	Relevance	1	1					
	Legal	1	Minimum requirement	Inspiration	1					1	
	Learning	1	Lot to learn	Engagement	1					1	
Other	Barret survey	1	Personal values	Relevance	1	1					
				Total	25	3	4	0	4	11	2

Table 4.2: Development and revision

					Factors of effectiveness						
Guiding question 2: How can the development and revision of the code of conduct enhance the effectiveness of the code of conduct?											
Categories	Theme	Theme frequency	Criterion	Amplifier	Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp govern
Old code reflection	Authorisation	1	Board approval	Inspiration	1						
	Disciplinary action	1	Useful	Processes					1		
	Understanding	1	Limited	Engagement			1				
	Communication	1	Limited	Engagement			1				
	Benchmarking and consultation	1	Broad consultation	Engagement	1					1	
	Principles	1	Consistent	Conscience		1					
Writing	Consultant	2	Consultant bias								
Consultation	Consultant	1	Consultant asssitance	Engagement	1	1					
	Ethics SA	3	Needed expertise	Engagement	1	1					
	Social and ethics committee	1	Involvement	Inspiration	1	1				1	1
	Board approval	1	Necessity	Inspiration	1					1	
	Executive committees and management	5	Extensive	Inspiration	1	1				1	
	CEO	1	Review	Inspiration	1	1					
	Ethics Office	1	Revision respomsibility	Structure	1	1				1	
	Company Secretary	1	Involvement	Engagement		1					
	Legal	1	Involvement	Engagement		1					
	Forensic department	1	Involvement	Engagement		1					
	Procurement	1	Involvement	Engagement		1					
	Low level	1	Limited								
	Employees	1	Limited								
	Painful consultation	1	Difficult	Engagement	1	1				1	
	Focus groups	1	Various focus groups	Engagement	1	1				1	
	Stakeholders	1	Involvement	Engagement		1					
	levels of the organisation	1	Top down	Inspiration	1	1					
	No consultative process	2	Limited								
	Lack of broad consultation	1	Trade union factor								

Categories	Theme	Theme frequency	Criterion	Amplifier	Factors of effectiveness						
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp govern
Revision process	Values	1	Driver	Conscience	1	1				1	
	Existing knowledge	1	Personal knowledge	Relevance		1					
	Benchmarking	1	Codex	Relevance		1					
	Initial stages	1	Cursory								
	Task team	1	Facilitate	Structure	1	1					
	Consultation	1	Ethics SA	Relevance		1					
	Ethics champions	1	Appointment	Inspiration	1		1			1	
	Training	1	Ethics champions	Processes		1	1				
	Risk assessment	1	Survey	Relevance		1					
	Consultation finalised	1	Content development	Engagement		1					
	Time period	1	Ethics management	Processes		1				1	
	Last reviewed	2	Various	Relevance		1					
	Evaluation of status quo	1	Review	Relevance		1					
	Future changes	1	Shortcomings	Relevance		1					
	Budget	1	Allocation	Inspiration	1						
Aspirational versus directional	Choice	1	Best fit	Relevance		1					
	Legalistic versus values	1	Balance	Conscience	1	1					
Approval process	Board approval	1	Approval obtained	Inspiration	1					1	1
	Board mandate	1	Adoption	Inspiration	1					1	
Rationale for code revision	Legalistic document	1	Too legalistic								
	Impact on reputation	1	Potential negative	Sustainability	1						
	Inconsistency	2	Numerous versions								
	Inconsistency with values	1	Code not aligned	Conscience	1	1					
	Alignment	1	Other documents	Processes		1					
	Content	1	Human rights etc.	Responsibility	1					1	1
	Values	2	Changes	Conscience		1					
	Policies	1	Alignment	Processes		1					
	Tone	1	Buy-into	Conscience	1					1	
	Legislation	1	Congnisance	Relevance		1					
Ethics management	Development	2	Ethics compliance	Processes	1					1	1
External stakeholder (mainly suppliers)	Inclusion in contracts	1	Supplier contracts	Accountability						1	
	Awareness	1	Supplier awareness	Access					1		
			Total		24	34	4	0	2	16	4

Table 4.3: Content

Guiding question 3: How can the content of the code of conduct enhance the effectiveness of the code of conduct?											
					Factors of effectiveness						
Categories	Theme	Theme frequency	Criterion	Amplifier	Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp Govern
Critique of code	Simpler code needed	1	Simple	Relevance		1	1				
	Length	1	Necessary?	Relevance		1	1				
	Bureaucratic	1	Less bureaucratic	Relevance		1	1				
Rationale for codes	Protection of business	1	Protection	Sustainability	1						
	Protection of employees	1	Protection	Responsibility			1				
	Protection	1	Information	Sustainability	1		1				
	Educate Employees	1	Educate	Processes			1				
	Guide employees	1	Reference	Processes			1				
	Discipline employees	1	Discipline process	Processes					1		
	CCMA	1	Discipline process	Processes					1		
Directional versus aspirational	Legalistic	1	Ommission	Relevance		1					
	Weakness of values driven	2	Enforceability								
	Rules	1	Know what not to do	Accountability					1		
	Parameters of behaviour	1	Explain parameters	Relevance		1	1				
	Combination	1	Rules and values	Relevance		1	1				
	Two codes	1	Local and international	Relevance		1					
	Disciplinary action	2	Consequences	Processes					1		
	Wording	1	Tone	Relevance		1	1		1		
	Rationale	1	Balance	Relevance		1	1				
	Phases of codes	1	Evolvement in time								
	Revision	2	Two documents	Relevance		1	1		1		
Content benchmarks	Codex	1	Benchmark example	Relevance		1				1	
Content	Values	2	Sell trust	Conscience	1	1				1	
	Policies	2	Reference to policies	Relevance		1	1	1			
Additional documents	Two codes	1	Rules and values	Relevance		1	1		1		
	Two codes and policies	1	Reference to policies	Relevance		1	1		1		
	Policies	1	Reference to policies	Relevance		1	1		1		
Supplier codes of conduct	Value chain	1	Human rights	Responsibility					1		1
	Separate code of conduct	1	Procurement	Accountability		1			1		
	Strategic partnerships	1	Special relationship	Responsibility		1				1	
	Dominance	1	Small suppliers	Responsibility	1	1				1	

Categories	Theme	Theme frequency	Criterion	Amplifier	Factors of effectiveness						
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp Govern
Ethical issues	Disciplines	1	Various disciplines	Relevance		1					1
	Conflict of interest	6	Various conflicts	Accountability	1	1	1	1	1		
	Outside directorships or interests	1	Declaration	Accountability	1	1		1	1	1	
	Non-public information	2	Non disclosure	Accountability	1	1			1		
	Client selection	1	Desirability	Accountability	1						
	Corrupt relationship	1	Employee and client	Accountability	1	1			1	1	
	Fraud	2	Massive problem	Accountability	1	1		1	1	1	
	Human rights	2	Protect society	Responsibility	1	1				1	1
	Bribery and corruption	1	Refusal to operate	Responsibility	1	1			1	1	1
	Procurement	1	Problem area	Accountability	1	1			1		
	Procurement and sales	1	Relationships	Accountability	1	1			1		
	Size of organisation versus suppliers size	1	Support local suppliers	Responsibility	1						1
	Gifts	4	Policy on gifts	Accountability	1	1	1	1	1	1	
	Corporate entertainment	1	Grey area	Accountability		1	1				
	Legal compliance	1	Comply with laws	Accountability		1			1	1	
	Performance driven	1	Shorts cuts	Accountability		1			1	1	
	Covered and not covered	1	Fair treatment	Conscience	1	1				1	
Important elements in the Code of conduct	Safety	1	Priority	Responsibility	1	1	1				1
	Fundamentals	1	Business sense	Relevance	1	1					
	Trust	1	Mutual trust	Conscience	1	1				1	
Visual appeal	Look good	2	Importance	Relevance		1					
Length	Simplicity	1	Greater reach	Relevance		1	1				
	Critique	1	Too many pages	Relevance		1					
	Revision	1	Towards aspirational	Relevance		1				1	
	Aspirational and directional	1	Combination heavy	Relevance		1	1				
	Don't read	1	Short vs long	Relevance		1	1				
	Unwieldy	1	Long	Relevance		1	1				
Referral to code of conduct	Discipline	1	Refer	Processes		1	1		1		
	Referral	1	Not proactive	Processes						1	
	Integrated into operations	1	Incorporated	Processes		1	1	1		1	
Declaration	Annual declaration	2	Log in requirement	Processes		1	1			1	
	Contractual relationship	1	Code part of contract	Processes		1				1	
Language	Translate	1	Local language	Responsibility		1	1			1	
Understanding	Translate	1	Explained	Access		1	1			1	
	Complexity	1	View of the world	Relevance		1	1			1	
	Read and understood	1	Copy	Access		1	1			1	
	Responsibility	1	HR	Access		1					
	User friendly	1	User friendly	Relevance		1	1				
	Busy	1	Time to read	Access		1	1				
	Don't read	2	Employees don't read	Access		1	1				
	Lower level	1	Not relevant								
Relevance	Lower level	1	Decision making								
Support	Representing employees views	1	Represents views	Relevance		1					
	Consequences for contravention	1	Stringent	Processes					1		
Auditable	Policies	1	Knowledge	Processes			1		1	1	
				Total	20	56	36	6	25	24	6

Table 4.4: Formal methods of implementation

Categories	Theme	Theme frequency	Criterion	Amplifier	Factors of effectiveness						
Guiding question 4: What formal methods of code of conduct implementation enhance a code of conduct's effectiveness?											
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp Govern
Education and training	Skills	1	Skills = ethics	Processes			1			1	
	Training programme	1	Extensive	Processes			1			1	
	New code	1	Supportive training	Processes			1			1	
	Risk	1	Risk officer training	Processes			1			1	
	Management	6	Leadership develop	Processes	1		1			1	
	Management - lack of training	1	Weakness								
	HR	1	Rules	Processes		1	1		1		
	Lower level	4	Behaviour	Processes		1	1		1	1	
	Junior level	1	Practical	Processes		1	1			1	
	Facilitators	2	Various	Processes		1					
	Ethics officers	1	Implement training	Structure			1			1	
	Rules	1	Benefit of rules	Processes			1			1	
	Development of programmes	2	Responsibility	Processes		1					
	Ethics programme first	1	Implementation	Structure	1	1	1			1	
	Combination of methods	1	Relevant training	Relevance		1	1			1	
	e-learning	5	Valuable tool	Processes		1	1			1	
	Measurable	1	How many people?	Processes						1	
	Language barriers	1	Visual to compensate	Processes		1	1			1	
	Frequency	3	Continuous	Access		1	1			1	
	Content	1	Code the backbone	Relevance	1	1	1	1		1	
	Absence of training	1	Lack of training								
Communication	Engage	1	Provide opportunities	Engagement		1	1			1	
	Performance	1	Minimum comm	Engagement		1	1			1	
	Knowledge	1	Develop knowledge	Processes						1	
	Examples	1	Awareness	Engagement		1	1		1	1	

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| Categories | Theme | Theme frequency | Criterion | Amplifier | Factors of effectiveness | | | | | | |
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp Govern
Ethics management structure	Structure	2	Programme support	Processes	1	1				1	1
	Code of conduct improve ethical behaviour	1	Programme initiative	Processes	1	1				1	
	Systems and processes	1	Imperative	Processes		1				1	
	Values	1	Access	Conscience	1					1	
	Reporting	2	Reporting structure	Processes	1	1				1	
	Reporting (silo's)	1	Limitation of reporting	Processes	1					1	
	Ownership of code of conduct	1	Various	Inspiration	1	1				1	
	Hierarchy	1	Strategic, ops, tact	Processes	1	1	1			1	
	Ethical boundaries	1	Ultimate boundaries	Sustainability	1	1	1			1	1
	Sign-off by social and ethics committee	1	Implementation	Accountability	1					1	1
Ethics programme	Rationale	1	King III	Responsibility	1					1	1
Ethics Office	Establishment	1	Appointment	Processes	1						
	Social and ethics committee	1	Powerful mandate	Structure	1					1	
	Functions of staff	1	Various roles	Structure	1	1	1			1	
	Justification	1	Motivation	Inspiration	1					1	
Ethics Officer	Management discipline	1	Not philosophy	Accountability		1				1	
	Functions	1	Responsible conduct	Accountability		1				1	
	Support	1	Social and ethics com	Inspiration	1	1	1			1	1
	Role	3	Various	Processes	1	1	1	1	1	1	1
	Role - processes	1	Processes in place	Processes		1	1	1	1	1	
	Reporting Silo's	1	Limitation of silo's	Structure	1	1	1			1	
	Reporting line	2	Various	Processes		1					
	Internal auditor unsuitability	1	Incorrect fucntion								
	Structure	1	Full time employee	Processes	1	1				1	
	Position	1	Part time employee	Processes		1					
	Revision of Code of conduct	1	Introduced function	Structure	1	1				1	
	Ethics champions	1	Intermediary function	Structure		1				1	

Categories	Theme	Theme frequency	Criterion	Amplifier	Factors of effectiveness						
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp Govern
Whistleblowing	Code importance	1	Becomes 'real'	Inspiration		1	1	1		1	
	Inclusion on code of conduct	1	Stated in Codes	Relevance		1	1	1	1	1	
	Success	8	Various success rates					1	1		
	Result	1	Results reportes	Engagement	1			1	1	1	
	Backing by management	1	Taken seriously	Inspiration	1					1	
	Prevention of loss	1	Benefit to business	Sustainability	1			1	1		
	Encourage	1	Work at it	Inspiration	1					1	
	Training	1	Provide training	Processes		1	1	1	1	1	
	Trust	1	Trust concerns								
	Problems	1	International number	Processes		1					
	Management	1	Dedicated managers	Inspiration	1		1			1	
	Management of whistleblowing	1	Not by investigators	Processes						1	
	Investigations	1	Ethics office oversees	Processes	1	1				1	
	Hot lines	1	External hot line	Processes	1	1	1	1		1	
	Structure	1	Type of disclosure	Relevance		1	1	1		1	
	Trust	1	Enegendering trust	Conscience	1	1		1	1	1	
	Language	1	Range of language	Access	1	1	1	1	1	1	
	Language / countries	1	Different lines	Access	1	1	1	1	1	1	
	Different countries	2	Toll free in countries	Access	1	1	1	1	1	1	
	Drop off box	1	Alternative to tele	Access	1	1	1	1	1	1	
	Anonymity	2	Protection	Accountability	1	1	1	1		1	
	Access	1	Various mechanisms	Access	1	1	1	1	1	1	
	Communication	3	Various mechanisms	Engagement	1	1	1	1	1	1	
	Malicious reports	1	All reports investigated	Accountability	1					1	
Integration	Code integration	1	Support programmes	Processes	1	1				1	
	Monitoring	1	Monitor implementation	Processes	1	1				1	
	Risk management	1	Appropriate skill	Relevance			1			1	
Recruitment	lack of character	1	Appropriate skill	Relevance			1			1	
	Read	1	Middle management	Access		1	1			1	
	Standard item	1	Recruitment prog	Processes		1	1			1	
	Written acceptance	1	On appointment	Processes		1					
	Contracts	1	Employment contracts	Processes		1				1	
	Not discussed	1	Not included								

Categories	Theme	Theme frequency	Criterion	Amplifier	Factors of effectiveness						
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp Govern
Induction	Ethics modules	3	Included	Processes		1	1			1	
	High risk	1	Intensive	Relevance	1	1	1		1	1	
	Management	1	Requirement	Relevance	1	1	1		1	1	
	Revision	1	Intention	Processes		1	1			1	
	Values only	1	Not code of conduct	Processes		1					
	Standard item	3	Included	Processes		1	1			1	
	Signature	1	On appointment	Accountability	1	1				1	
Performance appraisal	Key performance indicators	1	Part of KPI's	Accountability	1	1				1	
	Misconduct	1	Negative appraisal	Accountability					1		
	Ethical aspects	1	5-10% composition	Processes		1				1	
	Safety	1	Element of appraisal	Relevance		1				1	
	Understanding of code of conduct	1	Performance manag	Structure		1	1			1	
	Not included	2	Stick approach								
Reward	Whistleblowing	1	Rewarded	Processes	1	1		1		1	
	Innovations	1	Fraud and corruption	Processes	1	1			1	1	
	External	1	Non-employees	Relevance		1					
	Recognition	2	Celebrate people	Inspiration	1	1	1			1	
	Recognition not ethics related	1	Individual contribution								
	Prizes	1	Prizes awarded	Processes	1	1				1	
	Act for reward only	1	Reward flaw								
	Expect ethics	1	Inherent quality	Inspiration						1	
	No - future	1	Visibility	Processes	1	1				1	
Misconduct	Divisional ethics committees	1	Investigation	Processes		1			1	1	
	Investigations	3	Various processes	Processes		1			1	1	
	Dismissals	1	Consequences	Accountability		1			1	1	
	Penalties	1	Financial	Accountability		1			1	1	
Reporting mechanisms	Sources	1	Various	Processes		1	1	1	1	1	
	Success	1	Various	Inspiration				1		1	
	Structure	3	Mechanisms	Processes		1	1	1	1	1	
	Report to investigation	1	Sequence	Accountability		1		1	1	1	

Categories	Theme	Theme frequency	Criterion	Amplifier	Factors of effectiveness						
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp Govern
Other sources of communication	Poster	5	Poster based	Access		1	1		1	1	
	Newsletter	5	Various formats	Access		1	1		1	1	
	Magazine	2	Internal	Access		1	1		1	1	
	In-house television programme	1	Roll-out	Processes		1	1	1	1	1	
	Industrial theatre	1	Examples	Processes		1	1	1	1	1	
	Role playing	1	Training	Access		1	1		1	1	
	Video examples	1	Examples	Processes		1	1	1	1	1	
	Intranet	1	Access to code	Access		1	1	1	1	1	
	Internet	1	Access to code	Access		1	1	1	1	1	
	Workshops	1	Roll-out	Processes		1	1	1	1	1	
	Questionnaires	1	Observations	Processes		1			1	1	
	HR	1	Access at offices	Access		1				1	
	Suppliers: Inclusion in contracts	1	Documentation	Access		1				1	
	Suppliers: Awareness	1	Correspondence	Access		1		1	1	1	
	Weakness in communication	1	Acknowledgment								
Copy of code of conduct	Provision	1	Read and understood	Access		1	1			1	
	Booklet	1	Every employee	Access	1	1	1			1	
	Annual acceptance	4	Written acceptance	Accountability		1			1	1	
Reporting on compliance	Internal	2	Internal report	Accountability	1					1	
	Externally	2	Financial statements	Accountability	1	1		1		1	
	Level of fraud	1	Not widespread report	Engagement		1					
Auditing	Internal	2	Internal audit	Processes	1					1	
	Annual acceptance	1	Acceptances audited	Processes	1	1				1	
	No	1	Risk review	Processes		1					
	Whistleblowing	1	Monitored	Processes		1					
Risk management	Assessment	1	Ethical culture	Processes	1	1				1	
Benefit	Middle management	1	Ethical stand	Inspiration		1	1		1	1	
Suppliers	Penalties	1	Discontinue	Accountability		1		1	1	1	
				Total	55	103	65	33	43	118	6

Table 4.5: Informal methods of implementation

Categories	Theme	Theme frequency	Criterion	Amplifier	Factors of effectiveness						
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp Govern
Social and ethics committee	Rationale	1	Business sense	Sustainability	1					1	1
	Composition	2	Incl ethics officer	Structure	1					1	1
	Role	1	Policies and framework	Processes	1					1	1
	Misconduct investigation involvement	1	Seriousness	Accountability					1	1	
	Ethics office requirement	1	Enact policy	Processes	1					1	
	Divisional ethics committees	1	Delegation	Structure	1					1	
Leadership	CEO statements	1	Lacking								
	Ceo letter to suppliers	1	Disclose misconduct	Engagement	1			1	1	1	
	Chairman driven	1	Motivated	Inspiration	1					1	
	Tone at the top	1	Strong tone	Inspiration	1					1	
	Buy-in	3	Top-down	Inspiration	1					1	
	Values	1	Communicated	Conscience	1					1	
	Vales based leadership	1	Live and breathe	Conscience	1					1	
	Importance	3	Management will	Inspiration	1					1	
	Communication	1	Top of mind	Engagement	1		1			1	
	Ownership of the Code of Conduct	1	CEO	Inspiration	1					1	
	lip-service	1	Can't be lip-service	Inspiration	1					1	
	Walk the talk	1	Set the example	Engagement	1		1			1	
	Lack of communication / visibility - critique	3	Critique								
Culture	Environment	2	Ethical environment	Inspiration	1		1			1	
	Acquisitions	1	Ethical management	Sustainability	1					1	
	International differences	1	Adhere to corporate	Inspiration	1					1	
	Values	3	Corporate values	Conscience	1		1			1	
	Fit in	1	Fit into culture	Inspiration	1					1	
	Supply chain	1	Ethical approach	Accountability	1				1	1	
				Total	22	0	4	1	3	23	3

Table 4.6: Individual characteristics

Categories	Theme	Theme frequency	Criterion	Amplifier	Factors of effectiveness						
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp Govern
Customers	Moral	1	Desirability of client	Accountability		1	1		1	1	
	Corrupt relationship	1	Client and customer	Sustainability	1				1	1	
	Issues	1	Fraud, corruption etc	Sustainability	1					1	
Education	Level of skills	1	Skills and ethics	Processes	1	1	1		1	1	
	Managing risk	1	Teach responsibility	Accountability		1	1		1	1	
Values	Managing risk	1	Live their lives	Conscience		1				1	
	Individual values within the organisation	1	Import into company	Conscience						1	
	Corporate culture	1	Adopt values	Conscience			1			1	
Poor character	Lack of character	1	Control limitation								
Ethical person	Ethical	1	Code guidelines	Relevance		1	1		1	1	
				Total	3	6	5	0	5	9	0

Table 4.7: Organisational dynamics

Guiding question 7: What impact do organisational dynamics have on the effectiveness of a code of conduct?

Categories	Theme	Theme frequency	Criterion	Amplifier	Factors of effectiveness						
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp Govern
Age of organisation	Phases of codes	1	Speaks to everyone	Relevance	1	1	1			1	
	Ethical maturity	3	Values	Conscience	1	1	1			1	
	Quick growth	1	No time to engage	Engagement						1	
	Long history	1	Established	Conscience						1	
Size of organisation	Responsibility	1	Powerful impact	Accountability	1					1	1
	Communication	1	Rely on staff com	Engagement		1	1			1	
	Training	1	e-learning code	Access		1	1			1	
Hierarchical	Autocratic	1	Leadership style	Structure	1						
	Transition	1	Change over time	Structure	1	1					
	Change over time	1	Change over time	Structure	1	1					
Multinationality	History	1	Globalisation	Structure	1	1					
			Total		7	7	4	0	0	7	1

Table 4.8: Industry dynamics

Guiding question 8: What impact do industry dynamics have on the effectiveness of a code of conduct?

Categories	Theme	Theme frequency	Criterion	Amplifier	Factors of effectiveness						
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp govern
General	Aligned to industry	1	Relevant to culture	Sustainability	1	1	1			1	1
	Different ethics risks	1	Differs in industries	Relevance		1					
ICT	Influence	1	Improve lives	Responsibility							1
Mining	Communities	2	Reliance	Responsibility		1				1	1
	Community responsibility	1	Role played	Responsibility		1				1	1
	Geographic locations	1	Impact	Responsibility						1	1
	Safety	2	Priority	Accountabiulity	1	1				1	1
	Content and training	1	Relevant to employee	Access		1	1			1	
	Language	2	Explain	Processes		1	1			1	
General retail	Style	1	Need to understand	Relevance		1	1			1	
	Relationship	1	Buyers and sellers	Relevance		1	1			1	
	CSI	1	Small communities	Responsibility						1	1
Health and Pharmaceutical	Incentivisation of customers	1	Too much	Accountability					1	1	
	Marketing	1	Sales risks	Accountability	1	1	1		1	1	
	Procurement	1	Management	Processes		1	1		1	1	
Banking and insurance	Sales	1	Sales risks	Sustainability					1		
Beverage	Environmental	1	Consultation relevant	Engagement	1	1				1	1
	Performance driven	1	Short-cuts	Accountability						1	
	Nature of the product	1	Regulate	Accountability		1	1		1	1	
	Size of organisation versus suppliers size	1	Support	Responsibility	1					1	1
Retail	Product sourcing in developing nations	1	Human rights	Responsibility	1				1	1	1
			Total		6	13	8	0	6	18	10

Table 4.9: Political, economic, social, technological, legal and environmental factors

Guiding question 9: What impact do political, economic, social, technological, legal and environmental factors have on the effectiveness of a code of conduct?

Categories	Theme	Theme Frequency	Criterion	Amplifier	Factors of effectiveness						
					Further strategy	Relevant	Assists staff	Dis-closure	Discou-rages	Promote ethics	Corp Govern
Political	Corruption	4	High levels	Responsibility					1	1	1
	Bribery	1	Regulators	Accountability					1	1	1
	Africa corruption	1	Won't operate	Sustainability	1					1	1
	Political uncertainty/war /terrorism	1	How to be ethical	Sustainability	1					1	1
	BBBEE	1	Impact	Responsibility							1
	Tokenism	2	Refusal	Sustainability	1						
	Disagreement with government policies	1	Will obey law	Responsibility						1	1
	Networking with government	1	Engagement ethically	Responsibility	1					1	1
Economic	Developing nations	1	Suppliers	Responsibility	1					1	1
Legal	Regulatory environment	3	Complaince issues	Responsibility							1
	Regulatory documentation	1	Regulatory change	Responsibility							1
	Indigenous laws	1	Prevents investment	Sustainability	1						
	Minimum requirement	1	Exceed	Responsibility						1	1
	King III	1	Impact	Responsibility	1					1	1
Technological	Assets	1	Protection	Sustainability	1					1	
	Non public information	1	Protect	Accountability						1	
	Social media	1	Dangers	Sustainability	1						
	Benefits	1	Improve lives	Responsibility	1						1
	e-learning	1	Hybrid	Processes		1	1		1		
	Communicating the code of conduct	1	Various	Access		1	1		1		
	Poor internet connectivity	1	Practical issue	Processes		1					
Society	Human rights	1	Protect society	Responsibility	1					1	1
	Language	2	Visual training	Access		1	1			1	
	Language - whistleblowing	1	Local language	Access		1	1	1		1	
	Conflict of interest	1	Small communities	Accountability		1		1	1	1	
	Culture	5	Relevant interaction	Relevant		1	1			1	1
	Fair customer treatment	1	New trend	Responsibility						1	
	Blurring	1	Guidelines needed	Relevance		1	1			1	
	Size of organisation versus suppliers size	1	Small business support	Responsibility						1	1
	Stakeholder engagement	1	New environment	Accountability	1	1				1	1
				Total	12	9	6	2	3	22	17

APPENDIX 5: DETERMINATION OF AMPLIFIERS

Table 5.1: Alignment of the code to strategic objectives

Guiding question 1: Does the code of conduct need to be aligned to strategic objectives of the organisation to be effective?		
Alignment of the code to strategic objectives		
Amplifiers	Category	Description
Conscience	Living Document	The code of conduct must be a 'living document' that is relevant and the cornerstone to the organisations ethical values
Inspiration	Board approval	The board of directors should approve the code of content and provide a clear mandate for its implementation
	Ethics prioritisation	Business ethics must be prioritised at all times with the view to minimise the risk of misconduct
	Code of conduct prioritisation	The code of conduct should be a priority of the social and ethics committee who should ensure its implementation and regular review
	Revision	Revision of the code of conduct should be a strategic initiative driven by leadership
	Exceed expectations	Legal compliance should serve as the minimum requirement of ethical compliance as the organisation should demonstrate high ethical ideals
Engagement	A learning organisation	Ensure the organisation learns and incorporates these lessons into the code of conduct and its implementation
Relevance	Board review	The board of directors should regularly review the code of conduct and its implementation to ensure suitability
	Ethical living	The code of conduct should provide guidelines on ethical living in line with its provisions
	Alignment	The code of conduct and the organisation must be aligned
	Personal values	Personal values of employees should be aligned to the organisation
Processes	Programme initiative	The code of conduct can only be effective if it is supported by an ethics management programme
	Incorporation	Ethics and the codes of conduct should be incorporated into operational policies and procedures to ensure the code of conduct provisions are met and that unethical behaviour is minimised
	Annual declaration	The prioritisation of the code of conduct should be demonstrated by the requirement by all members of the organisation to sign and annual declaration signifying support and that they have read and understood the code of conduct
Accountability	Social and ethics committee	The social and ethics committee should be custodians of the code of conduct and facilitate the development of an ethics management structure to support its implementation
Sustainability	Long-term view	Ethical standards espoused in the code of conduct should be applied with the view to ensuring and facilitating long term profitability and sustainability of the organisation
	Value chain	Value chain members should be treated in an ethical manner to ensure long-term mutually and mutually beneficial relationships are developed

Table 5.2: Structured and relevant development and revision process

Guiding question 2: How can the development and revision of the code of conduct enhance the effectiveness of the code of con

Structured and relevant development and revision process		
Amplifiers	Category	Description
Conscience	Values	Organisational values should drive and underpin the development of the code of conduct
	Alignment	The code of conduct should be aligned to the organisation's values to ensure there is 'buy-in' by members of the organisation and its stakeholders
Inspiration	Board approval	New and revised codes of conduct should have board approval to ensure that there is a clear mandate for its implementation
	Social and ethics committee	The social and ethics committee should rouse interest in the code of conduct and encourage revision to take into account the ever-changing context of the organisation
	Executive and management	Executives and various levels of management should be consulted who in turn should motivate and support the revision process
	Ethics champions	Ethics champions' could be identified who could garner support for the development and revision of the code of conduct
Engagement	Broad consultation	Broad consultation and benchmarking should be followed in developing and revising codes of conduct
	Ethics task team	The board of directors could mandate an ethics task team to lead the establishment of an ethics management structure and develop or revise and implement the code of conduct
	External consultation	The organisation should make use of external consultation to provide the expertise to construct a suitable code and conduct and ensure its effective implementation
	Executive and management	Executives and various levels of management should be consulted who in turn should motivate and support the revision process
	Specialist areas of interest	Specialists should provide the necessary expertise in code development when required
	Functions and divisions	The various functions, divisions, offices, departments, support services, etc. that the hierarchical structure of the organisation possesses should be consulted when developing and revising a code of conduct
	Employees at various levels	The consultative process should be representative of all levels of employees to ensure relevance, support and understanding of the code of conduct
	Stakeholders	Stakeholders should be involved or consulted in the development and revision of the code of conduct
Relevance	Revision	The code of conduct should be reviewed on a regular basis and revised when necessary to ensure alignment with an organisations values, objectives and changing context
	Employees at various levels	The consultative process should be representative of all levels of employees to ensure relevance, support and understanding of the code of conduct
	Risk assessment	A organisational risk assessment could provide guidelines on important codes of conduct that should be incorporated
	Consultation	Only once the consultation process is complete should the code of conduct be finalised in order to ensure the code of conduct addresses key ethical issues
	Aspirational versus directional	A choice should be made on whether the code of conduct should be aspirational (values based) or directional (rules based) or a combination of the two in order for the code of conduct to be relevant to the organisation code of conduct's objectives
	Legislation and regulatory environment	The code of conduct must take into account legislative and regulatory constraints and requirements and incorporate these into the code of conduct and supporting documents when necessary
	Global standards	The code of conduct should contain or refer to policies that reflect global standards of ethical business practices and furtherment of human rights
Access	Awareness	Awareness and interest should be aroused about the code of conduct development and revision

Table 5.2 continued:

Amplifiers	Category	Description
Structure	Social and ethics committee	A social and ethics office (similar to that suggested by King III) should be inaugurated to provide guidance and executive support for the ethics management with the organisation
	Ethics Office	The organisation should inaugurate an ethics office with the purpose of managing ethics within the organisation
		The ethics office should be provided with the necessary resources to implement strategies and policies of the social and ethics committee
		The ethics office should facilitate and provide the necessary support for code of conduct development, revision and implementation
Processes	Executive training	Executive and senior management should be provided with training in order to understand the revision process and ethics management in general
	Training	Relevant training should be provided for individuals actively involved in the development and revision of the code of conduct
	Time and resources	The organisations should commit employee time and company resources towards the process of code of conduct development and revision and provide the necessary resources to ensure its effective implementation
Accountability	Stakeholders	The code of conduct should incorporate provisions governing the relationship and requirements expected from external stakeholders such as suppliers and customers
Responsibility	Stakeholders	Stakeholders should be involved or consulted in the development and revision of the code of conduct

Table 5.3: Suitable, relevant, recallable and understandable content

Guiding question 3: How can the content of the code of conduct enhance the effectiveness of the code of conduct?

Amplifiers	Category	Description
Conscience	Values	The code of conduct must reflect the values of the organisation
		The values of the organisation could be incorporated into the code of conduct as an introductory section in the document
	Fair treatment	The concept of fair treatment of customers should be incorporated into codes of conduct
	Fundamentals	Fundamental concepts that should be included in a code of content include safety of employees and the general public as well as respect and trust
Relevance	Benchmarked	The code of conduct should be benchmarked against best practices of code of conduct content
	Directional versus aspirational	The choice of a directional (rules based) and aspirational (values based) or combination of the two should be relevant to the organisation and the organisation's context
	Tone	The tone of the code of conduct provisions should reflect the directional or aspirational context of the provisions
	Rules	Rules must be clear on expected behaviour in order for members of the organisation to know what they can and can't do
	Flexibility	The code must provide flexibility to allow for interpretation and allow for ethical decision making
	Multiple codes	If needed the organisation should supplement the code of conduct with secondary codes such as supplier codes and regional codes
	Policy	Rather than incorporating complex policies and procedures into the code of conduct reference should be made in the code of conduct to policies and procedures documented elsewhere
	Guidelines	The organisation could provide guidelines and examples of expected behaviour that are in line with code of conduct provisions
	Simple	The code of conduct should be user friendly and simple to facilitate understanding
	Length	The code of conduct should contain relevant provisions without becoming cumbersome restraining understanding and recallability
	Visual appeal	The code of conduct should be visually appealing to highlight the importance attributed to the document and facilitate understanding and recallability
	Representative	The code of conduct should reflect members of the organisations views to ensure their support
Access	Ease of referral	The code of conduct should be readily available and provide ease of referral through a clear structure and index
	Language	The code of conducted should be available in the languages spoken by members of the organisations and relevant stakeholders of the organisation
	Lower levels	Only relevant code of conduct provisions should be made available to lower level employees in a format that is understandable to them
Processes	Guide	The code of conduct must guide and educate employees regarding responsible behaviour and ethical decision making
	Discipline	The code of conduct should detail consequences of misconduct and be suitable for use when disciplining employees for contravention of the code's provisions
	Incorporation	Provisions of the code of conduct should be incorporated into the policies and procedures of the organisation in order to facilitate compliance
	Annual declaration	An annual declaration should be included in the code of conduct that confirms that members of the organisation have read and understood the provisions of the code of conduct
	Incorporation into the employment contract	The code of conduct should be encompassed in employment contracts
	Auditable	The effectiveness of the code of conduct and relevant policies should be audited for effectiveness

Table 5.3 continued:

Amplifiers	Category	Description
Accountability	Enforcement	The code of conduct should take into account regulatory rigour needed, the ability to enforce and discipline those for contravening provisions, while avoiding a too 'legalistic' and complex code of conduct
	Performance driven	Codes of conduct in performance driven organisations should ensure that performance achievement is not at the cost of ethical standards detailed in the code of conduct
	Suppliers	If needed the organisation should supplement the code of conduct with a supplier code of conduct to prevent conflicts of interest, bribery, human rights abuses, and contravention of international labour standards
	Conflict of interest	Organisations in certain industries and geographical regions play a significant role in the community and unique conflicts of interests may arise which should be covered in the code of conduct
	Non-public information	The code of conduct should provide provisions prohibiting the disclosure of non-public information
	Inappropriate gifts and entertainment	To avert a compromise in the relationship between the organisations customers and suppliers inappropriate gifts and entertainment should be covered in the code of conduct
	Outside directorships and shareholdings	To prevent conflicts of interest, insider trading, inappropriate interests in competitor firms, the code of conduct should provide provisions inhibiting (or detailing disclosure or permission requirements) certain outside directorships, financial interests, and share dealing
	Customer selection	To ensure an ethical relationship with customers and prevent fraud, corruption, money laundering and other illegal activities, the code of conduct should include provisions detailing these relationships
	High levels of corruption	Organisations operating or who intend operating in countries with high levels of corruption need to pay special attention provisions in the code of conduct and supportive bribery and corruption policies to ensure the organisations averts unethical behaviour
Sustainability	Protection	The code of conduct should contain provisions protecting the organisation
	Customer selection	To ensure an ethical relationship with customers and prevent fraud, corruption, money laundering and other illegal activities, the code of conduct should include provisions detailing these relationships
Responsibility	Protection	The code of conduct should contain provisions protecting employees, the general public, and society
	Value chain	In certain industries codes of conduct could have provisions to ensure adherence to human rights principles and international labour standards
	Suppliers	When organisations are dominant in certain industries and smaller suppliers dependant on the organisation, the organisation's code of conduct should include provisions precluding the abuse of this dominance
	Bribery and corruption	The code of conduct should contain provisions forbidding any forms of bribery and corruption
	Political interference	The code of conduct should contain provisions regarding the organisation's relationship and interaction with political parties, members of political parties, and members of regulatory bodies
	Language	The code of conducted should be available in the languages spoken by members of the organisations and relevant stakeholders of the organisation

Table 5.4: Implementing a code of conduct through formal mechanisms

Guiding question 4: What formal methods of code of conduct implementation enhance a code of conduct's effectiveness?		
Implementing a code of conduct through suitable formal mechanisms		
Amplifiers	Category	Description
Conscience	Ethics management structure	In order to provide and access organisational and personal values an ethics management structure needs to be in place
	Whistleblowing	Trust in the whistleblowing line should be encouraged through training, ensuring the maintenance of confidentiality, and displaying a commitment to act on all reports
Inspiration	Ethics management structure	Ownership' of the code of conduct should rest with the chief executive officer or similar designation to reflect the importance attributed to the code of conduct
	Ethics office	Resources should be made available to establish and support an ethics office
	Ethics officer	The ethics officer should be supported by the social and ethics committee
	Whistleblowing	An anonymous whistleblowing facility must be implemented to ensure contraventions of the code of conduct can be reported without fear of retribution
		Leadership should demonstrate their backing and support of confidential reporting
	Rewards	Employees who further ethical behaviour and the spirit of the code of conduct should be celebrated
	Copy of the code of conduct	Management could be required to verify that their subordinated have copies of the code of conduct, have read and understood the code of conduct, and support the provisions contained to ensure that management are actively promoting and communicating the code of conduct provisions
	Middle management	Implementation and support of the code of conduct should provide middle managers with the backing of leadership support to take an ethical stand
Engagement	Communication	To ensure people consult and engage on the code of conduct, sufficient training and communication on the code of conduct should be facilitated
		The provision and discussion of examples of ethical and unethical behaviour can further understanding of ethical issues and the application of the code of conduct
		Communication of the provisions of the code of conduct, policies, processes, whistleblowing and other related information could make use of posters, newsletter, email newsletters, magazines, in-house television programmes, notice boards, industrial theatre, workshops, training, video examples, internet, intranet and the like to convey the message
	Whistleblowing	Whistleblowing reporting successes and examples should be communicated to members of the organisation to encourage reporting and demonstrate the consequences of misconduct
		Information on whistleblowing mechanisms should be provided in the code of conduct and through an array of methods such as the internet, the intranet, newsletters and posters
	Misconduct	Examples of misconduct and the ramifications of such activity should be conveyed to members of the organisation to learn from these experiences and understand the investigative, disciplinary and sanctions consequences of such behaviour
	Reporting on compliance	Compliance, reporting, misconduct, investigations and effectiveness of the code of conduct and the ethics management programme should be both internally and externally reported to provide members of the organisation and stakeholders inlightment on the ethical climate and stance of the organisation
Relevance	Education and training	Various training methods should be used to ensure the greatest geographic scope, most relevance, and best understanding
	Whistleblowing	Details of the whistleblowing facility should be included in the code of conduct
	Recruitment	The recruitment process should aim to employ individuals who have the necessary skills and ethical strength of character
	Induction	In high risk areas and management appointments employees should be provided with relevant intensive training on the code of conduct and ethics management

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Table 5.4 continued:

Amplifiers	Category	Description
Access	Copy of code of conduct	Every member of the organisation and relevant stakeholder should be provided with a code of conduct and be required to verify on an annual basis their acceptance and understanding of the provisions of the code of conduct
	Education and training	Facilitators should be provided with training in order to effectively train members of the organisation on ethics and the code of conduct
		Training should take into account language barriers and be adapted accordingly
	Whistleblowing	Whistleblowing hotlines should be available in the language of members of the organisation and be accessible on a toll-free basis internationally. Should it be a practical difficulty to provide such hotlines, alternatives should be provided for reporting misconduct anonymously, such as fax, email, websites and drop boxes
		Information on whistleblowing mechanisms should be provided in the code of conduct and through an array of methods such as the internet, the intranet, newsletters and posters
	Recruitment	When employees are appointed they should be required to read the read the code of conduct and be provided with a copy thereof
	Induction	Modules on the organisations values, code of conduct, and guidance on ethical decision making should be provided during the induction process
	Suppliers	Suppliers subject to code of conduct provisions could be made aware of such provisions through the provision of the code of conduct, the requirement that they sign the code of conduct, and inclusion of provision in their contracts.
Structure	Ethics management programme	An ethics management programme should be developed to provide the strategy and support for code of conduct implementation
	Education and training	The role of facilitator should be carefully chosen and could be influenced by the organisations hierarchical structure, geographic spread, functionary duties, the existence of a training division, e-learning access, and whether the ethics office have their own facilitators to provide the training
	Ethics management structure	The code of conduct should be supported through and ethics management structure to ensure that is becomes a living document
		An ideal management structure would comprise an ethics office with a chief ethics officer or similar designation supported by additional specialised staff if necessary
		Systems and processes should be developed to support the ethics management structure
	Ethics officer	The reporting line should ideally be executive management or the social and ethics committee and the ethics officer should engage across functional divisions
		The position should ideally be a full time position, failing which the individual should be objective and have the time to effectively carry out the duties required
	Reporting	Reporting structures should be developed and communicated to members of the organisation and relevant stakeholders

Table 5.4 continued:

Amplifiers	Category	Description
Processes	Education and training	Education and training on ethics and the code of conduct should be provided to equip members of the organisation with the necessary skills to act ethically
		Any new code of conduct and revision of an existing code of conduct should be rolled-out with supportive training
		Executive management training should focus on cognitive ethical decision making
		Certain division and functions should be provided with specialist training such as higher management levels, procurement, risk, and human resources
		Lower level employees should be provided with practical accessible training on ethics and aspects of the code of conduct relevant to their function
		Facilitators should be provided with training in order to effectively train members of the organisation on ethics and the code of conduct
		Training material should be developed to convey the principles of the code of conduct in an understandable manner that facilitates recallability
		Training should also cover the values of the organisation, and espouse the reputational and business the organisation could suffer as a result of unethical behaviour, the consequences of employees contravention of the code's provisions, the importance of reporting misconduct, and reporting mechanisms
		A training programme should be developed to ensure relevant training is provided throughout the organisation on a regular basis
		Various training methods should be used to ensure the greatest reach, most relevance, and best understanding
		Training methods that can be utilised include workshops, e-learning, industrial theatre, lectures, newsletter, magazines, in-house TV programmes and posters
		Training should be measurable and be measured to determine how many people are trained, how often they are trained and the effectiveness of the training
	Communication	Knowledge on the code of conduct should be developed through effective training and communication of risk areas of the organisation
		Communication of the provisions of the code of conduct, policies, processes, whistleblowing and other related information could make use of posters, newsletter, email newsletters, magazines, in-house television programmes, notice boards, industrial theatre, workshops, training, video examples, internet, intranet and the like to convey the message
	Ethics management structure	An ideal management structure would comprise an ethics office with a chief ethics officer or similar designation supported by additional specialised staff if necessary
		Systems and processes should be developed to support the ethics management structure
		The reporting line should ideally be executive management or the social and ethics committee and the ethics officer should engage across functional divisions
		Ethics management should take place on a strategic, tactical and operational level
	Ethics office	Functions of the ethics office should include facilitating ethical business and market conduct
	Ethics officer	Functions of ethics officer should include training, communication, whistleblowing, guidance, and developing the processes to ensure the effective implementation of the code of conduct
		With regards the social and ethics committee the ethics officer should determine the agenda, guide membership composition, ensure adequate communication, and implement their mandate

Table 5.4 continued:

Amplifiers	Category	Description
	Reporting	Reporting structures should be developed and communicated to members of the organisation and relevant stakeholders
	Whistleblowing	Training should be provided to members of the organisation and relevant stakeholders on whistleblowing mechanisms to be utilised for reporting misconduct
		The whistleblowing hotline could be managed externally to the organisation to engender trust in its confidentially
	Integration	The code of conduct should be integrated into the operational processes and policies of the organisation
		Code of conduct implementation should be monitored and audited
	Recruitment	The code of conduct should be explained to potential employees during the recruitment process
		When employees are appointed they should be required to read, confirm understanding and sign acceptance of the codes provisions
		The code of conduct should form part of employees contract of employment
	Induction	Modules on the organisations values, code of conduct, policies, and guidance on ethical decision making should be provided during the induction process
		In high risk areas of the organisation employees should be provided with more intensive training on the code of conduct provisions with regard to the risks
		Management appointments should be supplemented with relevant training on the code of conduct and their role in implementing the code of conduct and ethics management
	Performance appraisal	Adherence and promotion of the code of conduct provisions should be included in key performance indicators of performance appraisals
	Reward	Employees should be recognised and possibly rewarded for reporting misconduct, preventing misconduct, developing innovations to prevent misconduct, exemplary behaviour and furtherance of the spirit of the code of conduct
	Misconduct	Misconduct procedures should be developed in a transparent manner to facilitate investigation, disciplinary hearings, and sanctions
		Misconduct that could have a reputational impact or involves senior management should be investigated at a high level within the organisation
	Copy of the code of conduct	Members of the organisation and relevant stakeholders could be required to accept provisions of the code of conduct and confirm their acceptance thereof electronically failing which they would be prevented from login in to their computers
	Risk management	Risk management should include ethics management
	Auditing	The code of conduct effectiveness, the whistleblowing hotline, investigations into misconduct and the implementation of the ethics management programme should be audited internally and externally
Accountability	Education and training	Training should convey the consequences of employees contravention of the code's provisions, the importance of reporting misconduct, and reporting mechanisms
	Ethics officer	The function should be a management function responsible for ethical business and market conduct
	Whistleblowing	Misuse of the whistleblowing facility for malicious reporting should be discouraged through disciplinary measures
	Performance appraisal	Adherence and promotion of the code of conduct provisions should be included in key performance indicators of performance appraisals
		Failure to comply with the code of conduct must negatively impact performance appraisals
	Misconduct	Members of the organisation should be made aware of the consequences of misconduct
	Reporting on compliance	Compliance, reporting, misconduct, investigations and effectiveness of the code of conduct and the ethics management programme should be both internally and externally reported to provide members of the organisation and stakeholders inlightment on the ethical climate and stance of the organisation
	Suppliers	Contravention by suppliers of the code of conduct provisions should result in fines or the discontinuation of the use of their services

Table 5.4 continued:

Amplifiers	Category	Description
Sustainability	Ethics management structure	The organisation must operate within ultimate ethical boundaries
	Whistleblowing	Whistleblowing mechanisms should be implemented to protect the organisation from fraud, theft and a plethora of business risks
Responsibility	Ethics Programme	Initiate an ethics management programme in line with regulatory requirements or guidelines

Table 5.5 Ensuring a facilitating ethical culture inspired by the organisation's leadership

Guiding question 5: What informal methods of code of conduct implementation enhance a code of conduct's effectiveness?		
Ensuring a facilitating ethical culture inspired by the organisations leadership		
Amplifiers	Category	Description
Conscience	Leadership	Values should be driven from leadership and permeate all levels of the organisation
Inspiration	Leadership	The Chairman as well as the chief executive officer must show commitment and dedication towards an ethical organisation and should signify this support through a code of conduct introductory letter and regular communication on numerous levels reiterating this commitment
		Management must set the example of good ethical practices
		Ownership of the code of conduct should rest with the chief executive officer or chairman signifying its priority as a key policy document
	Corporate culture	The code of conduct should contribute towards an ethical culture while acknowledging that an ethical culture is needed for a code of conduct to be effective
		The organisation should ensure that the organisation's corporate culture respects societal cultural diversity while insisting that the corporate culture and code of ethics be adhered to by employees from various cultures
Engagement	Leadership	Leadership should lead the drive in encouraging members of the organisation and stakeholders to comply with the code of conduct provisions and report misconduct
		Leadership should ensure ethics is at the top of mind and regularly include it in management meeting agendas
Structure	Social and ethics committee	The composition of the social and ethics committee should be determined by the chief ethics officer and board of directors and should contain executive and non executive directors as well as the chief ethics officer
Processes	Social and ethics committee	The social and ethics committee role should play a custodian role which includes guiding policy making, providing structural support through the ethics office, providing intellectual and operational support, and been involved in investigations of misconduct at a senior level or which could have reputational repercussions
Sustainability	Social and ethics committee	A social and ethics committee or similar overseeing committee should be established to not just comply with regulatory rules and guidelines, but as a business imperative to ensure the organisation is managed in a sustainable manner
	Corporate culture	The organisation should ensure that it acquires, merges, partners with, and does business with only those businesses with a sound ethics corporate culture and that their management is ethically astute

Table 5.6: Ensuring employees with high moral calibre are employed and that mechanisms are in place to assist their moral development

Guiding question 6: What impact do individuals' characteristics have on the effectiveness of a code of conduct?		
Ensuring employees with high moral calibre are employed and that mechanisms are in place to assist their moral development		
Amplifiers	Category	Description
Conscience	Values	Values of individuals in an organisation are determined by both the individuals personal values and the values that they adopt of the organisation's values through its culture, therefore, the organisation should ensure they employ individuals with aligned values to the organisation
Relevance	Ethical individuals	The code of conduct should provide guidelines for ethical individuals to conduct their activities in the correct manner
Processes	Skills	The organisation should provide the necessary training and education to assist members of the organisation in ethical decision making
Accountability	Customers and clients	The organisation should avoid entering into a relationship with customers and clients who could pose a threat to the business due to their moral rectitude
Sustainability	Employees and customer or clients	The organisation should protect itself from corrupt relationships between employees and customers or clients and guard against the threat of fraud and corruption
	Responsible behaviour	In order to manage people risk the organisation should provide training and education to encourage ethical behaviour

Table 5.7: Ensuring the organisation's context is accounted for in the development, content, and implementation of the code of conduct

Guiding question 7: What impact do organisational dynamics have on the effectiveness of a code of conduct?		
Ensuring the organisation's context is accounted for in the development, content, and implementation of the code of conduct		
Amplifiers	Category	Description
Conscience	Age of the organisation	Well established organisations tend to have entrenched values while younger organisations should take the time to develop, consult and promote their developing values
Engagement	Size of the organisation	The large size of the organisation could require the organisation to develop various communication channels to promote understanding of the code of conduct provisions
Relevance	Age of the organisation	Code of conduct should evolve over time and be revised on a regular basis in order to be relevant to the organisation's business environment
		The choice between aspirational (values based) and directional (rules based) or a combination of the two should be determined by suitability of the particular type of code of conduct rather than been viewed as a stage of evolvement of the code of conduct
Access	Size of the organisation	The large size of an organisation could necessitate unique training methods to convey the principles of the code of conduct and technology such as e-learning should be embraced to provide a wide reach of communication
Structure	Hierarchy	Organisations should guard against hierarchical structures of an organisation furthering autocratic leadership compromising engagement
		Organisations structures change over time and ethics management programmes and the code of conduct should be revised to take into account the changed organisation
	Multinationality	As an organisation enters the global market its structure will change and ethics management programmes and the code of conduct should be revised to take into account the changed organisation
Accountability	Size of the organisation	The organisation's size could lead to potential dominance of a particular market or a dependence of suppliers, communities and other stakeholders on the organisation and should therefore guard against manipulation and protect those who are dependant on the organisation

Table 5.8: Ensuring the industry's context is accounted for in the development, content, and implementation of the code of conduct

Guiding question 8: What impact do industry dynamics have on the effectiveness of a code of conduct?		

Ensuring the industry's context is accounted for in the development, content, and implementation of the code of conduct		
Amplifiers	**Category**	**Description**
Engagement	Beverage	The impact of the environment should be taken into account and the organisation in the industry should consult with relevant parties on environmental issues
Relevance	Risks	Industry risks differ and the code of conduct should contain provisions relevant to those industry risks
	Retail	Retail organisations should have a code of conduct relevant to the nature of their buying and selling activities
Access	Mining	When lower level employees are unlikely to read or understand the code of conduct ethics training should be implemented which is relevant to their function and for which they are accountable
Processes	Mining	When a wide range of languages are spoken in an organisation it should endeavour to translate the code of conduct and facilitate training and communication to ensure they understand their obligations in this regard
	Health and pharmaceutical	The code of conduct should guard against incentivisation of customers and bribery of employees through a relevant gifts policy
Accountability	Mining	When there is significant risk for employee safety the organisation must prioritise safety
	Health and pharmaceutical	Sales and procurement and the main risk areas and the code of conduct should guard against incentivisation of customers and bribery of employees through a relevant gifts policy
	Beverage	The industry is performance driven and organisations in this industry should include relevant codes of conduct and processes to ensure that ethical standards are not compromised in this regard
		The nature of the type of product and employee usage, such as tobacco and alcohol, may need to be inhibited through code of conduct provisions
Sustainability	Alignment	The code of conduct must be aligned and relevant to the industry in which it operates
	Banking	Sales and marketing within the industry is a risk area and the code of conduct should address the risk
Responsibility	ICT industry	Organisations in the information communication and technology industry should aspire to improve lives through technological advances in information and communications technology
	Mining	When communities are dependant on the organisation for survival the organisation should embrace the responsibility and aspire to provide economic opportunities for community members and improve lives of community members
	Retail	When operating in small communities the ethical interaction with community members and leaders should be paramount to ensure the organisation has a sustainable impact in that community
		When sourcing products from manufacturers in developing nations the organisation should enforce, through the code of conduct or a suppliers code of conduct, the sanction against human right abuses and international labour standards
	Beverage	Should the organisation be dominant and make use of smaller suppliers, the organisation should support and safeguard these business to ensure their sustainability

Table 5.9: External environment is taken into account

Amplifiers	Category	Description
Guiding question 9: What impact do political, economic, social, technological, legal and environmental factors have on the effectiveness of a code of conduct?		
Ensuring the organisation's external environment is accounted for in the development, content, and implementation		
Relevance	Society	Respect the cultures of societies in which the organisation operates and ensure the code of conduct is relevant to the countries in which it operates, without compromising the organisation's values
		The code of conduct must provide guidelines in an ever increasingly complex world
Access	Technology	Embrace technological advances such as e-learning, e-mail, and satellite television to facilitate access and training on the code of conduct and ethical decision making
	Society	Take into account the different languages of employees within the organisation and aspire to provide translated versions of the code of conduct, provide training in a medium that is suitable to employees with different mother tongues (such as industrial theatre, visual training, provision of examples), and explain the code of conduct in a way that is properly understood by employees
		Ensure that whistleblowing hot-lines are accessible for whistleblowers in their spoken language
Processes	Technology	Embrace technological advances such as e-learning, e-mail, and satellite television to facilitate access and training on the code of conduct and ethical decision making
Accountability	Political	Ensure interaction and lobbying with government is done in a professional and ethical manner
	Technological	Protect proprietary or non-public information and protect corporate reputation in the age of social media and speed of communication
	Society	Ensure that employees in communities dependent on the organisation understand relevant codes of conduct that may be relevant to the situation - such as potential conflicts of interest
		Embrace the greater level of accountability expected from stakeholders and endeavour to be good corporate citizens
Sustainability	Political	Refrain from operating in countries where high ethical standards cannot be maintained and where the organisation faces financial risk due to political instability
	Legal	Refrain from operating in economies where the regulatory environment compromises business objectives
Responsibility	Political	Ensure interaction and lobbying with government is done in a professional and ethical manner
		Ensure ethical business practices are maintained in countries experiencing high levels of corruption and work with governmental institutions to change the level of corruption
		Obey the law
		Evaluate the safety risks that employees may face in countries experiencing political turmoil
		Support social upliftment initiatives without compromising ethical standards or business objectives
	Economic	Ensure human rights and international labour standards in developing nations are adhered to within the supply chain
	Legal / regulatory	Ensure compliance with the regulatory environment and take a proactive stance in anticipating future regulatory constraints
		Ensure minimum compliance yet aspire to greater levels of ethical behaviour
		(South Africa: King III aspiration and incorporation of principles into the organisation)
	Technological	Protect proprietary or non-public information and protect corporate reputation in the age of social media and speed of communication
		Utilise technological advances to improve peoples lives in communities in which the organisation operates
	Society	Advance human rights and international labour standards and endeavour to improve peoples lives in countries in which the organisation operates
		Treat customers fairly
		The size of the organisation and its potential to dominate a market or community must be tempered with respect for free market mechanisms, responsibilities towards the value chain, and the communities in which it operates