

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

DISCOURSE ANALYSIS OF CORPORATE CODES OF ETHICS

A thesis presented in partial fulfilment of
the requirements for the degree of

**Doctor of Philosophy
in
Accountancy**

at Massey University, Manawatū
New Zealand

Frances Cho-Kwai Chua

2015

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way - in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only."

*Charles Dickens
A Tale of Two Cities (1859, p. 1)*

ABSTRACT

Ethics has always been an important element in economic activities. Ethical guidelines in the form of values, beliefs, norms, guidelines and rules have been developed over the years to set boundaries for appropriate business behaviour. Although time and context may have changed, the core of ethical problems inherent in business remains. In recent years, increased public concerns about corporate ethics have seen extant ethical rules being codified into formal codes of ethics. As a crucial part of corporate discourse, a code of ethics of an organisation signals its ethical commitment to self-restraint and self-regulation. It is often observed that corporate codes are instituted only after some legitimacy-threatening events and that they are used as a strategy to restore trust and organisational legitimacy.

The impetus for this study arose from a desire to provide an understanding of the discursive role of corporate codes of ethics in (re)claiming public trust and legitimacy in light of increasing challenges to corporate legitimacy. As corporate codes are taken as the basis for discourses designed to provide ethical guidance, they constitute an important means to uphold trust and legitimacy for organisations. The study examines 100 global corporate codes of ethics using a three-level analytical framework based on discourse theory to capture the relationship between the “text” and the “context” of the codes. In the process of discourse analysis, it explores the historical (inclusive of cultural, social, and economic) context of code development (*macro level*), employs institutional theory to interpret the institutional context of corporations (*meso level*), and examines the content/text of the codes (*micro level*) by drawing on Aristotle’s three rhetorical justifications (*logos, ethos, and pathos*) to ascertain how the sample companies persuade their audiences to accept their ethical commitments. There is evidence that the code language employed by the 100 sample global companies is sufficiently persuasive to support the pragmatic, cognitive, and moral legitimising causes. However, it is found that the content of codes is comparatively light in ethical substance as it tends to focus on behavioural constraints specifically designed to address the pressing legitimacy issues and the compliance of rules relating to these constraints.

ACKNOWLEDGEMENTS

Many people have helped to make my research a most rewarding learning experience. In particular, I would like to thank my three supervisors: Professor Fawzi Laswad, Massey University; Professor Asheq Rahman, Auckland University of Technology; and Professor Hector Perera, Professor Emeritus at Macquarie University, Sydney. Without their guidance and support at all stages of the project, the thesis would not have developed into the present form.

I am grateful to Professor Rahman, who encouraged me to pursue doctoral research in corporate codes of ethics and has provided me with valuable suggestions and constructive criticism throughout the course of the project. His enthusiasm and profound interest in research and his faith in me as a researcher have been sustaining forces for my “journey of discovery.” I am very much indebted to Professor Perera who, as my mentor and friend of many years, has helped me to develop the necessary skills in logical thinking, theory development, and language refinement. His patience and unwavering support have been invaluable to the development of my thesis. I am grateful to Professor Laswad for his insightful criticism and the different perspective he brought to the project. I would also like to express my gratitude for the financial support provided by the School of Accountancy toward research assistance of the project.

My thanks also extend to my friends and colleagues at the School of Accountancy for their friendship and encouragement for my research endeavour.

Finally yet importantly, I am especially grateful to have the unconditional support of my family. They have always been a continual source of inspiration and encouragement for my efforts.

TABLE OF CONTENTS

	Page
Abstract	i
Acknowledgements	ii
Table of Contents	iii
List of Tables	vii
List of Figures	viii
Appendices	viii
CHAPTER 1 OVERVIEW OF THE RESEARCH PROJECT	
1.1 BACKGROUND TO AND PURPOSE OF THE RESEARCH	1
1.2 AIM AND OBJECTIVES OF THE RESEARCH	6
1.2.1 The <i>macro</i> level (the broad social context)	6
1.2.2 The <i>meso</i> level (the specific context)	7
1.2.3 The <i>micro</i> level (the genre of the text and the audience)	7
1.3 RESEARCH METHODOLOGY	7
1.3.1 Theoretical orientation	7
1.3.1.1 Institutional theory	8
1.3.1.2 Discourse theory	8
1.3.1.3 Other sources of literature.....	9
1.3.2 Methodological approach.....	10
1.3.2.1 Discourse analysis	10
1.3.2.2 Rhetorical analysis.....	11
1.4 IMPORTANCE OF THIS RESEARCH.....	12
1.5 ASSUMPTIONS AND SCOPE.....	14
1.5.1 Assumptions	14
1.5.2 Scope of the project.....	15
1.6 STRUCTURE OF THESIS.....	15
1.7 CHAPTER SUMMARY	18
CHAPTER 2 EVOLUTION OF CORPORATE MORAL RULES	
2.1 INTRODUCTION	19
2.2 THE HISTORICAL ROOTS OF BUSINESS ETHICS	22
2.2.1 Religious perspective	23
2.2.2 Philosophical perspective.....	25
2.2.3 Economic perspective	29
2.3 THE MORAL BASIS OF CAPITALISM	33
2.3.1 The ethical underpinnings of Adam Smith’s model.....	34
2.3.2 Ethics and self-interest – The “moral paradox” of capitalism.....	37
2.4 THE BUSINESS ETHICS MOVEMENT	40
2.4.1 “Movement” defined.....	40
2.4.2 The goal.....	41
2.4.3 Activities and contributors supporting the movement	43
2.5 THE EMERGENCE OF CORPORATE CODES OF ETHICS.....	46
2.5.1 The importance of business values.....	48
2.5.2 The development of corporate codes.....	49
2.6 CHAPTER SUMMARY	53

CHAPTER 3 TRUST AND ETHICS IN MODERN ECONOMIES

3.1	INTRODUCTION	57
3.2	THE NATURE OF TRUST	59
3.2.1	The characteristics of trust	60
3.2.2	Perceived attributes of the trustor.....	62
3.2.3	Perceived attributes of the trustee	63
3.2.4	Factors influencing trusting relationships	65
3.3	THE BREAKDOWN OF TRUST	69
3.3.1	A new culture of capitalism	71
3.3.2	The pursuit of self-interest in business.....	73
3.3.3	The role of accounting and finance	75
3.3.4	The impact on trust relations	77
	3.3.4.1 The trustee – the culprit?	77
	3.3.4.2 The trustor – the victim?	79
3.4	TRUST AND ETHICS IN BUSINESS	81
3.4.1	The morality of business	83
3.4.2	The link between ethics and trust.....	84
3.4.3	The ethical limits of trust	87
3.5	RETHINKING THE NEED FOR TRUST	88
3.5.1	Organisational change	90
3.5.2	Complexity of market dynamics	91
3.5.3	New perspective of agency relationships	92
3.5.4	Mechanisms to engender trust.....	94
3.6	CHAPTER SUMMARY	95

CHAPTER 4 AN INSTITUTIONAL PERSPECTIVE OF THE PREVALENCE OF CORPORATE CODES OF ETHICS

4.1	INTRODUCTION	97
4.2	PREVALENCE OF CORPORATE CODES OF ETHICS	100
4.2.1	The geographical spread.....	100
4.2.2	The role of corporate codes	102
4.2.3	Code functions	104
4.3	MOTIVATIONS FOR CODE ADOPTION	106
4.3.1	Exogenous forces	107
4.3.2	Endogenous forces	108
4.3.3	The exogenous-endogenous connection.....	110
4.4	AN INSTITUTIONAL INTERPRETATION OF CORPORATE CODE ADOPTION	111
4.4.1	The institutional perspective	111
4.4.2	Institutional isomorphism applied to corporate codes of ethics	114
4.4.3	Institutional pressures, conformity, and legitimacy	116
	4.4.3.1 Pragmatic legitimacy by coercive isomorphism	117
	4.4.3.2 Cognitive legitimacy via mimetic processes.....	121
	4.4.3.3 Normative legitimacy through normative processes.....	124
4.4.4	Ceremonial structures.....	127
4.5	CHAPTER SUMMARY	132

CHAPTER 5 RHETORICAL ANALYSIS OF CORPORATE CODES OF ETHICS

5.1	INTRODUCTION	135
5.2	INSTITUTIONAL CHANGE, LEGITIMACY, AND RHETORIC	138
5.2.1	Link between institutional change and legitimacy	138
5.2.2	Link between legitimacy and rhetoric	141
5.3	THE RHETORIC OF CORPORATE CODES OF ETHICS	144
5.3.1	Prior studies on corporate code rhetoric	148
5.4	RESEARCH METHODOLOGY	153
5.4.1	Rhetorical analysis as research methodology	153
5.4.1.1	Rhetorical strategies	157
5.4.1.1.1	<i>Logos</i>	158
5.4.1.1.2	<i>Ethos</i>	158
5.4.1.1.3	<i>Pathos</i>	159
5.4.1.2	The rhetorical situation	160
5.4.1.3	Stylistic pillars	161
5.5	RESEARCH DESIGN	163
5.5.1	Sample collection	163
5.5.1.1	The samples	163
5.5.1.2	The codes	165
5.5.2	Research instrument	166
5.5.2.1	Data collection	166
5.5.2.1.1	Human coding	167
5.5.2.1.2	Coding frame	167
5.5.2.2	Inter-coder reliability and pilot study	170
5.5.3	Framework of analysis	172
5.5.3.1	The ideational function	174
5.5.3.2	The interpersonal function	175
5.5.3.3	The textual function	176
5.6	CHAPTER SUMMARY	178

CHAPTER 6 DISCUSSION OF RESULTS AND FINDINGS

6.1	INTRODUCTION	181
6.2	BASIC FEATURES OF THE CODES	183
6.2.1	Code adoption	183
6.2.2	Code prevalence	185
6.2.3	Year of adoption	186
6.2.4	Code format, length, and title	187
6.3	A THEMATIC CONSIDERATION OF CODE CONTENT	188
6.3.1	Generality	189
6.3.2	Values and commitments	190
6.3.3	Workplace conduct	191
6.3.4	Responsiveness to stakeholders	192
6.3.5	Compliance and implementation	193
6.3.6	Tone and style	194

	Page
6.4 A RHETORICAL ANALYSIS OF THEMATIC CONTENT OF CODES	197
6.4.1 Corporate codes as a means to attain organisational legitimacy	198
6.4.1.1 Pragmatic legitimacy perspective	199
6.4.1.1.1 Issue-driven	200
6.4.1.1.2 Compliance-focused	202
6.4.1.1.3 Stakeholder appeasement	204
6.4.1.2 Moral legitimacy perspective	206
6.4.1.3 Cognitive legitimacy perspective	209
6.4.2 Corporate codes of ethics as a persuasive discourse	213
6.4.2.1 Appeal to reason (<i>logos</i>)	214
6.4.2.2 Appeal to authority (<i>ethos</i>)	216
6.4.2.3 Appeal to emotion (<i>pathos</i>)	218
6.4.2.4 From persuasive to authoritarian position	221
6.5 CHAPTER SUMMARY	224

CHAPTER 7 CONCLUSIONS

7.1 INTRODUCTION	229
7.2 SUMMARY OF THE STUDY	229
7.3 MAIN FINDINGS	233
7.4 IMPLICATIONS OF THE FINDINGS	237
7.4.1 For ethics researchers	238
7.4.2 For historians	238
7.4.3 For corporations/managers	239
7.4.4 For policy makers	240
7.5 CONTRIBUTION OF THE RESEARCH PROJECT	241
7.5.1 Theoretical contributions	241
7.5.2 Methodological contributions	243
7.5.3 Organisational contributions	244
7.6 LIMITATIONS OF THE STUDY	244
7.7 SUGGESTIONS FOR FUTURE RESEARCH	245
7.8 FINAL REMARKS	246

REFERENCES	247
-------------------------	------------

APPENDICES	269
-------------------------	------------

LIST OF TABLES

		Page
Table 2.1	The Evolution of Business Ethics in Western Countries – A Conceptual View	47
Table 3.1	The Nature of Trust	61
Table 3.2	Taxonomies of Trust – Different Perspectives	67
Table 4.1	Basic Concepts of Institutional Theory	114
Table 5.1	Status of Code Adoption – Geographic and Industry Distribution	164
Table 5.2	Research Instrument – Coding Frame	169
Table 6.1	Industry Classification and Market Capitalisation	184
Table 6.2	Generality	189
Table 6.3	Values and Commitments	190
Table 6.4	Workplace Conduct	191
Table 6.5	Responsiveness to Stakeholders	193
Table 6.6	Compliance and Implementation	194
Table 6.7	Tone and Style	195
Table 6.8	Excerpts from CEO/Chairman Statements	217
Table 6.9	Correlations – Comprehensiveness, Comprehensibility and Comprehension Aids	221
Table 6.10	Rhetorical Strategies and Legitimacy in the Institutionalisation of Corporate Codes	224

LIST OF FIGURES

		Page
Figure 1.1	Structure of the Thesis.....	15
Figure 2.1	The Roots of Business Ethics.....	22
Figure 3.1	The Nature of Trusting Relationships	69
Figure 4.1	Corporate Isomorphic Change – The Legitimacy Pursuit	99
Figure 4.2	The Institutionalisation of Corporate Codes of Ethics	130
Figure 5.1	Rhetorical Analysis of Corporate Codes of Ethics.....	138
Figure 5.2	Rhetorical Analysis – Stages of Development	166
Figure 6.1	Code Prevalence by Country	185
Figure 6.2	Year of Code Adoption	186
Figure 6.3	Broad Content Categories of Corporate Codes	197

APPENDICES

Appendix 5.1	Rhetorical Data.....	269
Appendix 5.2	Research Instrument – Coding Frame (Complete Set).....	271

