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Communicating the ethos of codes of ethics within the organization

A comparison of the largest private sector organizations in Sweden and Turkey

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Abstract

Purpose – The purpose of the paper is to examine the ways that the largest private sector organizations in Sweden and Turkey communicate the intent of their codes of ethics to their employees.

Design/methodology/approach – Primary data were obtained via a self-administered mail questionnaire distributed to a census of the top 500 private sector organizations based on revenue in each country.

Findings – The research identified some interesting findings that showed that the small group of companies in Turkey that have a code may appear to be more "advanced" in ethics artifacts usage than Sweden. Such a conclusion is counter-intuitive as one would have expected a developed nation like Sweden to be more advanced in these measures than a developing nation such as Turkey. Culture may play a large role in the implementation of ethics artifacts in corporations and could be a major reason for this difference.

Research limitations/implications – As this is such a new area of investigation in Turkey, the responses amount to only 32 companies that have a code. The small sample is indicative of the formative evolution toward having codes of ethics within companies operating within Turkey.

Practical implications – This study enables those organizations that comprise corporate Turkey to view the current state of codes of ethics in Turkish companies and to compare these with the responses of a developed country of the European Union.

Originality and value – A review of the literature indicates that this is the first time that such an international study specifically focused upon codes of ethics and the artifacts to inculcate the ethos of the code into every day corporate affairs has included Turkey as one of the participating countries.

Keywords Employee communications, Codes, Private sector organizations, Sweden, Turkey, Business ethics

Paper type Research paper

1. Introduction

Numerous writers (Adams *et al.*, 2001; Fraedrich, 1992; Gellerman, 1989; Harrington, 1991; Laczniak and Murphy, 1991; Rampersad, 2003; Sims, 1991; Somers, 2001; Stoner, 1989; Wood and Rimmer, 2003) have proposed the notion that a code of ethics should exist as a means of enhancing the ethical environment of an organization. The

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establishment of a code of ethics is seen as one of the initial indicators that a company is beginning to focus on ethical behavior. It is the artifact, that announces to all an interest by an organization in business ethics. It has been suggested that organizations implement codes because they value them and perceive that they are important to the organization (Adams *et al.*, 2001; Fraedrich, 1992; Laczniak and Murphy, 1991; Somers, 2001; Wood *et al.*, 2004; Wotruba *et al.*, 2001). If organizations do have this view of their codes, then surely they should be committed to them. A code by itself is not enough to ensure that the employees of organizations will actually manifest ethical behavior. This ideal requires more than just a code. It requires supporting procedures in place to ensure that the ethos of the code is entrenched in all that the company does. The benefit of having a code can only be derived if the code of ethics is brought to life by an organization that genuinely wishes to pursue a better ethical culture (Anand *et al.*, 2005; Davis, 1988; Ferrell, 2004; Townley, 1992).

In a model that goes beyond philosophically-based ethics, Stajkovic and Luthans (1997) use social-cognitive theory as a means to identify factors that influence business ethics standards and conduct. They propose that a person's perception of ethical standards and subsequent conduct is influenced by institutional factors (e.g. ethics legislation), personal factors (e.g. moral development), and organizational factors (e.g. code of ethics).

In the USA, codes of conduct were in evidence around 1900 (Wiley, 1995). JC Penney has a code that predates World War One (Adams *et al.*, 2001). Since the early 1960s, there has been a range of codes of ethics in many US companies (Baumhart, 1961; Benson, 1989; De George, 1987). In Britain, the development of codes occurred later in the last century, more as a response to the stock market crashes of the late 1980s than anything else (Donaldson and Davis, 1990; Maclagan, 1992; Mahoney, 1990; Schlegelmilch, 1989).

In Sweden, the first major study of codes of ethics was conducted in 2002 (Svensson *et al.*, 2004). This study was a part of a broader international study that has been conducted in Australia (three times), Canada (twice), Sweden (twice) and now for the first time in Turkey. There have been a number of papers centered on corporate governance that have been recently published on Turkey, these include, but are not limited to: Ararat and Ugur (2003), Aksu and Kosedag (2006), Ugur and Ararat (2006), Orbay and Yurtoglu (2006). In Turkey, the use of codes of ethics by private sector organizations is still unclear as previous research appears not to have been conducted in this area prior to this study. This paper investigates the current, emerging Turkish situation.

The research interest inherent in this study was centered on the need to examine the commitment to the principles of their codes of ethics (Wood and Rimmer, 2003) as demonstrated by the largest 500 private sector companies operating in the private sector (in terms of revenue) in both Turkey and Sweden. This task was done by examining the means by which organizations tried to integrate the ethos of their codes into the every day working lives of their employees. This paper, therefore, takes a comparative look at the codification of ethics amongst the largest companies in these two countries.

2. Why compare Turkey and Sweden?

Turkey and Sweden are countries that are both located on the periphery geographically of the European Union (EU). Turkey is an emerging economy (see Table I) that aspires to become a full member of the European Union (Ugur and Ararat,

Table I.
Economic and population indicators

Socio-economic indicator	Sweden	Turkey
Economy		
Gross domestic product (purchasing power parity US$)	$285.1 billion (2006 est.)	$627.2 billion (2006 est.)
GDP real growth rate	4.2 percent (2006 est.)	5.2 percent (2006 est.)
GDP/capita (purchasing power parity – US$)	$31,600 (2006 est.)	$8,900 (2006 est.)
Inflation rate	1.4 percent (2006 est.)	9.8 percent (2006 est.)
Population		
Population	9,016,596 (July 2006 est.)	70,413,958 (July 2006 est.)
Population growth rate	0.16 percent (2006 est.)	1.06 percent (2006 est.)
Life expectancy	80.51 years	72.62 years

Source: CIA World Factbook (2007)

2006). Sweden is a developed economy (Table I) that is a recent member (1995) of the EU and it trades heavily with the European Union. Like Turkey, Sweden realizes the importance of the European Union to its continued development and prosperity. Both countries have a commerce sector that historically has been heavily influenced by the national government and its investment strategies and policies (Ararat and Ugur, 2003; Svensson *et al.*, 2004). Each country knows that it must be cognizant of developments in the European Union in order to fashion business systems that allow it to be an acceptable trading partner in future dealings with other members of the EU. For Sweden this is much easier to achieve as they are a developed and well respected nation and trading partner, whereas Turkey, as a developing nation, needs to overcome some long standing perceptions of its ability to be seen as a partner in meaningful, transparent business relationships. Turkey's recent steps towards a more regulatory framework for corporate governance can only but assist Turkey in the eyes of the international business community (Ugur and Ararat, 2006).

3. Methodology

In 2005-2006 in Sweden and in 2006 in Turkey, a three-stage research procedure was used and conducted in order to evaluate the use of codes of ethics in the largest companies of the private sector in both countries. First, a questionnaire was sent to the top 500 companies (based on revenue) (Statistiska Centralbyrån – SCB, 2005; Istanbul Sanayi Odasi, 2005): companies that for several reasons such as size of turnover, employee numbers and profile, are more probable to have developed a formal code of ethics (Brytting, 1997).

The aim of the questionnaire was also to obtain from the participants a copy of their code of ethics, if they had one. These private sector organizations were asked to answer up to thirty questions about the methods used by their organizations to inculcate an ethical ethos into the daily operations of the organization, its leadership and its employees. The second stage involved content analyses of the codes of ethics supplied by the survey participants. The third stage involved a more detailed follow-up of a smaller group of companies that appeared to be close to, or to represent, the best

practice with respect to codes of ethics. Findings from stage 1 of the research are reported in this article. The results will be presented in the remainder of this paper as: (Swedish result; Turkish result) in order that one can more easily compare the responses.

The respondents upon which this paper focuses comprise those 32 organizations in Turkey with a code of ethics from the 137 that replied (23.4 percent) and those 110 Swedish companies with a code of ethics out of 185 (59.5 percent) that replied. The Turkish response is smaller, but one must be cognizant of the fact that this area is a new and emerging one in a rapidly developing economy. The interesting fact is that 45 of the remaining 105 companies (42.9 percent) in Turkey suggested that they would have a code within two years. This study appears to be at the forefront of the investigation of the development of the phenomenon of the usage of codes of ethics in large Turkish organizations.

4. Empirical findings

4.1 Communication of the code to employees

For an organization to obtain the full effect from implementing a code of ethics that organization must communicate its value system and its document to the workplace (Benson, 1989; Collier and Esteban, 2007; Rampersad, 2003; Schwartz, 2002; Stead *et al.*, 1990; Townley, 1992; Trevino and Brown, 2004; Wotruba *et al.*, 2001). This needs to be done as the ethos of the code must be shared with the employees in order that they can act in accordance with the espoused values of the company.

The areas of significance in communicating the code to employees are "electronic communication" (Sweden 71.4 percent; Turkey 65.6 percent), "training is conducted" (Sweden 35.2 percent; Turkey 43.8 percent); "a booklet is issued" (Sweden 33.3 percent; Turkey 31.3 percent). The concern is that many organizations may just hand out a booklet or send the code through an electronic communication source and that there may then be only minimal follow up and discussion of the principles contained within it. Booklets and electronic documents also have a tendency to be ignored, filed, or even discarded. This phenomenon in itself can lead to employees not fully appreciating the significance of the ethics document. It is therefore advisable to conduct training/education on the essence of the code for employees, in order that they understand the importance to the organization of the document.

4.2 Communicating the code to new staff

The major ways of communicating the code to new staff in Sweden and in Turkey are through: the "induction program" (Sweden 60.6 percent; Turkey 65.6 percent), "a booklet is issued" (Sweden 23.1 percent; Turkey 31.3 percent) and "training and discussion" (Sweden 35.6 percent; Turkey 9.4 percent). The use of training and discussion is a preferred option to just distributing a booklet containing the code. Training and discussion enables the staff to engage with the ethos of the code in an interactive and proactive manner. They can discuss the code with their peers and others and subsequently develop opinions grounded on their own experiences.

The impact that the organization wants the code to make upon the new employee may be lost if the attention required is not given at the time of induction. How is the employee meant to know that the code is important if it is not discussed or education given in its nuances? As ethics is such a personal matter it is naïve to assume that all

employees will read the code exactly the same as each other and act in the ways expected by the company. Organizations need to illustrate their corporate understanding of their values, so that the new employee cannot misinterpret the meaning of the written word.

4.3 Consequences for a breach of the code

A number of authors (Fraedrich, 1992; Schwartz, 2002; Sims, 1991; Stoner, 1989; Trevino and Brown, 2004) suggest that within a code of ethics one should outline enforcement provisions for those individuals who may not uphold the code. The organization, by having procedures for a breach of the code, signals to employees the necessity to abide by the code for the sake of both themselves and the organization. The concern here is that consequences for a breach are not just placed in the code as a public relations exercise, but that they are implemented in all good faith as a measure of commitment to the ethos of the code and the betterment of the organization. This concept is strongly followed in both countries (Sweden 82.1 percent; Turkey 96.9 percent).

The second part of this question asked the organizations to clarify the nature of the consequences for a breach. One gets a "verbal warning" (Sweden 84.4 percent; Turkey 90.6 percent) and/or "cessation of employment" (Sweden 45.7 percent; Turkey 87.5 percent), and/or a "formal reprimand" (Sweden 65.2 percent; Turkey 43.8 percent) and/or "legal action" (Sweden 38.0 percent; Turkey 46.9 percent) taken against employees. The Swedish companies seem to give more reprimands, yet terminate an employee's employment far less than their Turkish counterparts.

The Swedish management style is more one of participatory management, where employees are coached and coaxed into doing the "right thing". The leader is not seen as the all powerful disciplinarian as may be the case in other cultures, but the focus of management in Swedish culture is more upon playing the role of a mentor to lead and guide the staff members to their own enlightenment and self-correction in the areas where their performance may be lacking (Svensson *et al.*, 2006). This approach to management may in itself account for the fact that the ultimate penalty of "cessation of employment" is not used as much as in the Turkish situation.

The Turkish management style is also of a paternalistic nature, but it is not as participatory in decision making as the Swedish style. The paternalism in organizations in Turkey is about getting people involved as a part of the corporate family (Fikret *et al.*, 2001), but one does not usually extend to them the same autonomy of decision-making and action as is the case in Swedish companies. Turkish companies appear to have in place more control mechanisms than their Swedish counterparts who believe more in autonomy than control. In Turkey, employees generally do not participate in the decision-making.

4.4 Ethical performance as a criterion for employee appraisal

The view that organizations should formalize the ethical performance of employees through the employee appraisal system is supported by a range of writers (Fraedrich, 1992; Harrington, 1991; Laczniak and Murphy, 1991; Trevino and Brown, 2004). If an organization is serious about its desire to have an ethical culture it should link its employees' ethical performance to their employee appraisal system. It highlights to everyone that the organization is serious about ethics as a part of employee behavior.

One does need to bear in mind that this concept is one based in the traditions of the Anglo-Saxon business culture (Mueller, 2006) found in countries such as the UK, the USA, Canada and Australia. The Nordic management style, as exemplified by Sweden, may not see the same need for this link between the espoused ethos of the code and the employees' performance appraisal, because in Sweden organizations assume that employees would take the correct actions as a matter of course, so why have procedures in place to check upon them. In Turkey, it is perceived that, in general, the ethical performance of employees needs to be monitored and checked.

In Sweden, an employee's ethical performance is assessed in only 44.2 percent of companies whilst in Turkey it is assessed in 87.5 percent of companies. It would appear that in Sweden some organizations do desire to control their employees by subjecting them to a level of scrutiny in this area, but many more do not, whereas in Turkey there is a judgment made about one's ethical performance as a part of the employee appraisal process.

4.5 An ethics ombudsman or its equivalent

In a situation of recognizing unethical practices and taking steps to expose them, the dilemma that many employees face, is in knowing to whom one can take an issue. It is an important matter to maintain the integrity of the person against whom the complaint is made and more importantly, for the person making the complaint, they need to feel that they have the guarantee of freedom from reprisals (Anand *et al.*, 2005; Gellerman, 1989; Labich, 1992; Rampersad, 2003; Stoner, 1989). This area of inquiry has a definite relationship with the issue of whistle blowing. If within an organization a company has a person designated as a confidante to whom staff can go with ethical concerns then, hopefully, it will foster employees to volunteer information about unethical practices that they perceive are detrimental to the organization. If the role of an ombudsman was set up with the specific purpose of protecting whistle blowers (someone who reports wrongdoing by the organization) and resolving the concerns that they raise, then companies may not just have ethical guidelines, but they may be able also to see the actual implementation of these guidelines put into practice.

The fact that only 34.5 percent of Swedish companies do have such a person is disturbing. To whom do staff members go with their concerns? The obvious answer is the person's supervisor, but research shows that it is often the supervisor who is the centre of the ethical conflict that the staff member wishes to resolve (Baumhart, 1961; Brenner and Molander, 1977). This lack of a designated person leaves the staff and the organization vulnerable. In Turkey, 71.9 percent of companies with a code have an ethics ombudsman. This is an excellent figure, but what happens in those other 28 percent of companies in order to support staff that wish to express a concern?

4.6 Formal guidelines for the support of whistle blowers

The researchers were interested in this area, because if organizations are going to expect ethical behavior from their employees then whistle blowing should be considered by the organization (Grace and Cohen, 1998; Trevino and Brown, 2004; Wood, 2002). It should be considered, because if standards are to be set, one needs ways to ensure that violations or breaches can be reported, reviewed and corrected. By its very nature, whistle blowing is a dangerous path to take for any employee. Even though companies may have procedures in place to protect the whistle blower, the act

of whistle blowing historically has been fraught with personal danger and the ever-present threat of recriminations (Barnett *et al.*, 1993; Keenan, 1995; Keenan and Krueger, 1992; McLain and Keenan, 1999; Miceli and Near, 1984; Miceli *et al.*, 1991).

Both countries do have formal guidelines to support whistle blowing (Sweden 43.8 percent; Turkey 68.8 percent). At face value, the Swedish figure appears to be a concern. Swedish companies may see no reason to have such a formal set of guidelines because culturally they may not be perceived as being as needed. Swedish employees would just naturally report infractions of the company rules because it is the right social action to take (Svensson *et al.*, 2006). In Turkey, nearly one third of companies do not have this support in place for their staff. In Turkish society, whistle blowing is not seen as an acceptable behavior. When it comes to business ethics, the companies mostly agree to have a formal guidance procedure to support whistle blowing, but because of cultural mores the employees may not feel secure in this process and that is why they do not whistle blow. There is therefore a clear need for a formal system.

Employees should feel secure in the knowledge that they can report what they perceive as wrongdoing by their company or others within the company. To not have such safeguards in place for staff, leaves genuine individuals exposed and does not promote a confidence in them to report their concerns.

4.7 A standing ethics committee or its equivalent

If organizations in the new millennium in Sweden and Turkey are beginning to realize the need for ethical practices in their organizations, then an ethics committee should be an idea that organizations should contemplate and an area in which they should initiate action (Center for Business Ethics, 1986; McDonald and Zepp, 1989; Rampersad, 2003; Weber, 1981). Such a committee signals to all stakeholders the importance of business ethics and it serves to focus the attention of management and staff toward ethical behaviour. In Sweden, 31.9 percent of companies do have a standing ethics committee. If ethics is important, then surely companies should communicate this fact by having designated ethics committees that are seen by all. Not to have a committee, signals to the organization and other stakeholders that the organization does not see ethics as an important enough area to warrant such attention. In Turkey though, 93.8 percent of companies do have an ethics committee. This is an incredibly high figure and it is markedly different from Sweden. As this study is exploratory at this time the researchers can not with any certainty explain this large difference.

4.8 Ethics education

A number of writers have advocated the use of education programs as a means of institutionalizing ethics within the organization (Axline, 1990; Dean, 1992; Laczniak and Murphy, 1991; Maclagan, 1992; McDonald and Zepp, 1990; Harrington, 1991; Rampersad, 2003; Schwartz, 2002; Sims, 1992; Trevino and Brown, 2004). Without education, one could contend, that the desire to incorporate an ethical perspective into the business practices of employees will only be a hope that cannot be translated into reality.

Just over 50 percent (52.2 percent) of Swedish companies have ethics education, which means that nearly half of the companies do not have ethics education. The inculcation of ethical values in an organization is not an easy process. Employees have

to be given the opportunity to engage with the ethics document and to discuss, to examine and to question the values of the organization that are placed before them. Each person approaches the organization with different values and perspectives on the world and what they may perceive as acceptable and unacceptable conduct. Education in ethics at the time of induction is not enough. At induction time, the employee is usually bombarded with many new ideas, philosophies, rules and regulations and as such they are often overwhelmed. Osmotic transfer of the company's ethical values does not just occur. Staff cannot be left to their own devices in this area (Wood, 2002). Education needs to be ongoing as ethics and people's perceptions of acceptable and unacceptable conduct evolve over time.

This need for education seems to have been acknowledged highly in Turkey (84.4 percent). One wonders if the Swedish figures are indicative of a cultural belief that Swedes are naturally ethical and perhaps there is a belief that they therefore do not need it, whereas in Turkey the reality is that the companies are delving into a new area of business practice and not to educate their workforce would be remiss on their behalf. Further, it would appear that a more controlling management style appears to exist in Turkey than is the Swedish management style. In Turkish companies, this may lead to education for staff to do the "expected thing", rather than the Swedish belief that staff know the right thing to do and will do it.

4.9 Ethics education committee

Aligned with the need to have ethics education is also the need to have a designated ethics education committee or its equivalent (Wood, 2002). An ethics education committee would hopefully provide the focus and initiative to expose employees to discussion and education in business situations involving ethical dilemmas that they might face whilst in the company's employ.

In Turkey, 81.3 percent of respondents have an ethics education committee. It is a concern that only 19.6 pecent of respondents in Sweden have an ethics education committee. This figure is very low if organizations in Sweden are serious about inculcating ethics into the work force. A designated committee set up for the specific purpose of ethics education and the discussion of relevant issues, the researchers contend, flags to employees the sincerity of the organization to pursue ethical principles. Not to have one also makes it quite clear to employees and other stakeholders that the organization may not see this area as one of importance. As mentioned previously, another reason may also be the belief that Swedish employees are ethical already and therefore education may not be necessary.

5. Conclusion

This comparative study between the largest private sector organizations in Sweden and Turkey has revealed some interesting results: results that need further investigation. The surprise to the researchers with these results is the apparent advanced developmental stage of the small group of Turkish companies that have codes and the apparent not so well developed stage of development of Swedish companies who have codes (see Table II).

One would have expected Sweden to be more advanced in the use of the measures put in place to advance the ethos of codes into their organizations than Turkey, as one is a developed nation and the other is a developing nation. The measure of being more

Table II. Summary of empirical findings

Summary – empirical findings	Sweden (%)	Turkey (%)
Communication of the code to employees		
Electronic communication	71.4	65.6
Training is conducted	35.2	43.8
A booklet is issued	33.3	31.3
Communicating the code to new staff		
Induction program	60.6	65.6
A booklet is issued	23.1	31.3
Training and discussion	35.6	9.4
Consequences of a breach of the code		
Verbal warning	84.4	90.6
Cessation of employment	45.7	87.5
Formal reprimand	65.2	43.8
Legal action	38.0	46.9
Ethical performance as a criterion for employee appraisal		
Ethical performance assessed	44.2	87.5
An ethics ombudsman or its equivalent		
Ethics ombudsman in place	34.5	71.9
Formal guidelines for the support of whistle blowers		
Support for whistle blowing in place	43.8	68.8
A *standing ethics committee or its equivalent*		
Standing ethics committee in place	31.9	93.8
Ethics education		
Ethics education in place	52.2	84.4
Ethics education committee		

"advanced" comes from US based research that is prescriptive in what should be happening in organizations and it is heavily influenced by an Anglo-Saxon bias for rules-based prescriptions for organizational phenomena. Mueller (2006) questions whether the Anglo-Saxon model of corporate governance, especially for developing countries, is applicable. Sweden is not an Anglo-Saxon culture either, so it may show divergence from what is prescribed in the US, the UK, Australian and Canadian literature as the "correct" way to inculcate ethics in to the organization. This idea warrants further investigation and research.

It should be noted that both countries that were studied have a business sector that has been heavily influenced by their national governments. The Swedish government appears to take a more *laissez-faire* approach to rules based legislation. In Sweden, the government guides its citizens and organizations to strive to do the right thing from a socially responsible perspective. It relies on the social conscience of all parties to act in accordance with the dominant cultural values. In Turkey, the history of the role of business and government is that government has been more interventionist in the business process and the rules are enforced through a more autocratic style than in Sweden thus, Turkish companies are more prescriptive and Swedish companies are less prescriptive in their approach in this area. In a culture such as that found in Sweden, that is based upon cajoling people to do the right thing, one may not invoke the same control measures as in a culture that has a much more autocratic style of management. In

Sweden, the companies expect employees to do the right thing and to see it as their duty, whilst in Turkey it could be perceived historically that one needs to be directed to do one's duty and hence more prescriptive rules, policies and artifacts exist.

What this research may be indicating is not a "superior performance" of one country's companies over another country's companies, but what may be in evidence here is the impact of different cultural perspectives on government-company-employee relationships that are ingrained in the business psyche of each country. This phenomenon may go some way to explain this apparent anomaly that companies in Turkey may appear to be further "advanced" in this area than similar companies in Sweden.

It does need to be acknowledged that of those large private sector companies in Turkey, few in number though they may be that have embraced a need for business ethics they seem to have instituted the processes thoroughly, perhaps emulating the Anglo-Saxon model or the US based model of business ethics. This adoption is understandable as the US is the area from which most business ethics publications come and is often a country towards which other countries look for guidance as to how to structure and improve their own business systems. As the US business system is rule based and prescriptive then this approach may be more culturally acceptable to Turkish companies, as it is not too dissimilar to their own ways of conducting business. Hence, Turkish companies may find the US style of business ethics culturally compatible and therefore adopting this "western" model in an Islamic country, whilst at first glance it may seem strange it is eminently explainable based on a business culture in both societies that is rules based and controlling.

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