European Business Review

Embedding the ethos of codes of ethics into corporate South Africa: current status

Mercy Mpinganjira Mornay Roberts-Lombard Greg Wood Göran Svensson

Embedding the ethos of codes of ethics into corporate South Africa: current status

Mercy Mpinganjira and Mornay Roberts-Lombard
Department of Marketing Management, University of Johannesburg, Johannesburg, South Africa
Greg Wood
School of Management and Marketing, Faculty of Business and Law, Deakin University, Warrnambool, Australia, and
Göran Svensson
Oslo School of Management, Oslo, Norway

Received 18 April 2015
Accepted 24 August 2015

Abstract

Purpose – This study aims to examine and describe ways that organisations in corporate South Africa try to embed ethos of corporate codes of ethics in their organisations.

Design/methodology/approach – The study followed a quantitative research approach. The target population was the top 500 companies operating in the corporate sector by revenue. Data were collected using a structured questionnaire from 222 company secretaries and heads/managers responsible for ethics in the companies.

Findings – The findings show that the majority of companies have regulations that can help promote ethics ethos. The most prevalent artefact in the area of regulation was found to be conduct of ethical audits. Training was found to be the most prevalent artefact under staff support.

Research limitations/implications – The study was limited to large organisations in South Africa. The findings can thus not be generalised to include small- and medium- sized businesses which make up the largest segment of all businesses in South Africa.

Practical implications – The research provides information that can be used to compare companies operating in different contexts on practices that help promote corporate ethics quality. It provides business managers with information that they can use to evaluate and benchmark their companies on practices that help promote the ethos of corporate codes of ethics.

Originality/value – The study is the first of its kind to examine how organisations go about institutionalising codes of ethics in South Africa. The findings can be used by all sectors of South African business as a point of reference in their efforts aimed at embedding the ethos of ethics in their respective organisations.

Keywords South Africa, Codes of ethics, Ethics regulation, Staff support on ethics

Paper type Research paper

Introduction

Since the earliest years of the twentieth century, there have been reports of codes of ethics existing in the private sector of business in the USA (Wiley, 1995). One of the early codes in the twentieth century is the JC Penney code which was in existence in 1913 (Adams *et al.*, 2001). In 1958, Thomson's research, as cited by Benson (1989), analysed

European Business Review
Vol. 28 No. 3, 2016
pp. 333-351

0955-534X
DOI 10.1108/EBR-04-2015-0039

for the American Management Association, what Thomson termed the "credos" of 103 corporations. Seventy-five per cent of the credos reviewed by Thomson had been written since 1953, suggesting that they were part of a movement that existed from that time to formalise ethics in business.

Benson (1989) contends that these credos were the forerunners of the current codes of ethics. Whilst the specificity of action within these credos was not as clear as is often the case today in codes of ethics, Benson believes that there is sufficient similarity between them to associate them with the codes of today. Benson surmises that the rise of codes of ethics usually coincided with a rise in public knowledge of infractions by American companies of ethical and legal standards. Frequently, these infractions involved foreign and domestic kickbacks to obtain business.

During the late 1980s, one could argue that there was an upsurge in the need for organisations around the world to establish codes of ethics. The precipitating factor again, not only in the USA but also in the developed world, was the revelation of unethical and illegal practices of entrepreneurs in the 1980s. The actions of these individuals affected their communities in such a direct way, as a result of the massive monetary losses sustained by financial institutions and private investors due to unethical and illegal practices.

When corporations realise that there is a need to examine their ethical practices and to move forward proactively in this area, they invariably seek to develop within their organisations artefacts that they can institute within their corporations to signal to all stakeholders, both external and internal, that they have a commitment to business ethics. Usually, they will implement a Code of Ethics because it is a tangible artefact that can be seen and acted upon by all. The Code of Ethics document is one that needs to be constructed based on the values in business that each organisation wishes to enunciate to its employees and to the public at large (Weber, 1981).

The development of a Code of Ethics can be viewed as one of the ways that an organisation highlights to its stakeholders and the world of business that its commitment to an ethical organisational culture is strong (Axline, 1990; Fraedrich, 1992; Laczniak and Murphy, 1991; Somers, 2001).

Berenbeim (2000) cites three trends as evidence of the growing importance of corporate codes of ethics: the globalisation of markets and the need for core principles that are universally applicable; the acceptance of these codes as part of the corporate governance as illustrated by increased participation of boards in their development; and the improved ethical literacy of senior managers as illustrated by the increasing sophistication of the codes.

It must be realised that a Code of Ethics in itself is neither enough to guarantee that the employees of organisations will actually exhibit ethical behaviour (Sims, 1992) nor can organisational outsiders ever be confident that the organisation developed its Code of Ethics for motives that were purely altruistic and that the mercenary factor of business survival was not foremost in the minds of senior executives when they constructed and enacted a code.

Sadly, scepticism is rife among the public with respect to the espousing to its stakeholders and its community of a company's motives for business ethics, because over the past 40 years, we have all witnessed the same errant behaviours in different decades reappearing in a slightly different guise. We see issues such as baby-milk formula debacles, oil spills in pristine oceans, car safety issues ignored to the detriment of the motoring public, the collapse of financial institutions and, amongst others, rogue stock market traders regularly surface to the detriment of individuals who encounter these sharp practices and who suffer because of them. Whilst having a code is important, embracing its ethos is more important and inculcating that ethos throughout the organisation must flow on from having the artefact of a code (Wood, 2002).

In the past 30 years, codes of ethics studies have been conducted in the private sector across the developed world. These studies have included, but are not restricted to the USA (Cressey and Moore, 1983; Mathews, 1987; Weaver *et al.*, 1999; Berenbeim, 2000; Chonko *et al.*, 2003), the UK (Langlois and Schlegelmilch, 1990, Le Jeune and Webley, 1998; Preuss, 2010; Whyatt *et al.*, 2012), Germany (Winkler, 2011), Ireland (O'Dwyer and Madden, 2006), Canada (LeFebvre and Singh, 1992; Schwartz, 2002; Singh, 2006, 2011), Sweden (Svensson *et al.*, 2004, 2006; Aydinlik *et al.*, 2008) and Australia (Kaye, 1992; Farrell and Cobbin, 1996; Wood, 2002; Wood and Callaghan, 2003; Callaghan *et al.*, 2008; Callaghan and Wood, 2014). Code studies have also been conducted on the largest multinational companies operating across a range of jurisdictions in the world (Carasco and Singh, 2003; Kaptein, 2004; Wood *et al.*, 2004; Singh *et al.*, 2005; Bethoux *et al.*, 2007; Stohl *et al.*, 2009; Svensson *et al.*, 2011; Callaghan *et al.*, 2012).

The current South African situation

After two decades of isolation, South Africa re-emerged onto the world stage in the early 1990s. The challenges that South Africa faced at this time were daunting, and it was obvious that these challenges would have a major impact on all aspects of the society: political, social and economic. South Africans understood that before meeting these challenges, they need to develop their economy and ensure that business was conducted in a better way than had occurred in the past, and then they would have to seek out world's best practice, especially in the area of corporate governance and business ethics.

In 1992, the Institute of Directors (IOD) enacted the first of the three King Reports on corporate governance. Each report recommended that the practices in this area of corporate governance and the resultant interest in business ethics should evolve to the next level to inspire organisations to aspire to better practices in the marketplace. There was a realisation that some of the sharp practices of the past would no longer suffice into the future if South Africa was to move in commerce to where it needed to be competitive in the new world of business that awaited it.

Rossouw (1997) wrote that in South Africa, the need for a more prominent ethical culture in business had been expressed by politicians, business leaders and academics. Nelson Mandela stated at the opening of the South African Parliament on 17 February 1995 that:

> We are conscious of the reality that corruption in many forms has deeply infected the fibre of our society. Precisely because we face the challenge of dealing with systematic corruption, we need a dispassionate and systematic approach to this question.

Bisschoff and Fullerton (2011) further argue that in alignment with the argument of the first King Report of 1994 about companies being ethical, the IOD further suggested that "there should be new guidelines for ethical practice in business enterprises in South Africa" (Institute of Directors, 1994, p. 43).

Delloite (2012) reports that as a result of deliberations in 2007, during the public hearings, conducted on the Companies Bill by the Portfolio Committee on Trade and

Industry in South Africa, the need for companies that have significant public interest to not only act responsibly but to also be seen doing so was recognised and acknowledged to be important. It was felt that such companies need to account for their decisions and the results thereof from among others from the public interest perspective. Furthermore, Van Tonder (2006) states that the King II Report on business ethics in South Africa has succeeded in emphasising the importance, need for and nature of corporate governance. It has furthermore highlighted that corporate governance can only have an effect when an inclusive stakeholder approach, structured around a clear set of corporate ethics, is pursued.

Botha (2009) states that increased demands evolving from a changing South African society, supported by the continuous push for higher levels of productivity, create expectations for ethical leadership. Sound organisational management and ethical leadership are two key requirements for a company to be perceived as successful by its stakeholders. Del Fabro (2012, online) concurs by stating that:

> The real problem with the topic of business ethics is not just the cost of being caught or reprimanded, but the impact on the perception of the company. In today's world a message and a single customer's sentiment can be disseminated around the world in a matter of seconds and attract an audience.

In addition, the King II Report emphasises that companies can not simply focus on matters relating to economic efficiency. They need to place a greater focus on creating a balance between economic efficiency and societal impact. Referring to this, the balance between corporate objectives and the well-being of society is a recurring theme in the Report (Rossouw, 2005). This ideal is emphasised by the fact that the Report starts with a quotation from Sir Adrian Cadbury that emphasises the need for balance. Corporate governance is concerned with holding the balance between economic and social goals, and between individual and communal goals [...] the aim is to align as nearly as possible as one can (Institute of Directors, 2002).

Methodology

Research approach and target population

This study adopted a descriptive quantitative research approach. The aim was to investigate and describe how companies go about implementing the ethos of their codes of ethics into the everyday activities of their organisations. Nijhof *et al.* (2003, p. 67) say that codes "should be embedded in the web of the organisational processes and routines". Schwartz (2002, p. 40) supports this idea by stating that:

> The truly ethical company emerges when corporate code penetration has taken place meaning that policies processes programmes structures systems and objectives all reflect the company's code of ethics.

A structured questionnaire was used to collect data. The target population was the top 500 companies in South Africa. The companies were identified from a publication by Topco which provides details of the top companies in South Africa based on financial performance. All companies in the top 500 were targeted for data collection.

Data collection

During the data collection stage, each company was telephonically contacted to get details, including name and telephone number of the manager responsible for issues of ethics in the company. These managers identified come from corporate governance or legal departments and most of them were company secretaries while others went by different designations, such as Head of Ethics. The identified managers were subsequently contacted and were requested to participate in the study. The questionnaire was administered using the computer-assisted telephone interview method. By the end of the data collection period, usable responses from a total of 222 companies were received, which represented an effective response rate of 44.4 per cent. All of the responding companies indicated that they had a code of ethics.

Measures and analysis

In investigating the implementation of the corporate codes of ethics, the study aimed to establish the current status. On regulation, the interest was in examining matters related to conducting ethical evaluations of operations, ethical performance and appraisal of staff and consequences for staff of a violation of their codes. On staff support, investigations focused on support guidelines for whistleblowers, use of codes to guide strategic planning in companies, staff training and ethics management committees/personnel, including ethics training committee and ethics training for staff, to having a company ombudsman. Respondents were asked to respond to most of the questions related to their current situation by indicating yes, no or I do not know.

The Statistical Package for Social Science (SPSS) version 21 was used to analyse the data. The analysis involved the use of descriptive statistics to uncover frequencies and means and standard deviation where applicable.

Empirical findings

Ethical audits

Jaehnig and Onyebadi (2011) pointed out that while most studies on ethics focus on individual actors, it is important for organisations to also look into organisational performance. This entails the need to audit company operations so as to be able to evaluate company practices and consequently to be able to account to stakeholders. Sandberg (2012) observed that ethical audits in recent years have become a fairly prominent phenomenon. He further pointed out that such audits help verify a corporation's compliance with internal and/or external ethical standards in the same way as financial auditors verify compliance with accounting and financial reporting standards.

Several other authors have suggested the need to incorporate ethical audits into an organisation's processes (Crotts *et al.*, 2005; Laczniak and Murphy, 1991; Murphy, 1988). Garcia-Marza (2005, p. 211) views the ethics audit as an integral part of the process of developing trust in the company:

> Within this integrated system of ethics management in the company, ethics auditing can respond to the basic objective of ethics management, which is simply to integrate economic benefit with social and environmental benefit.

The results on investigations into the current practice relating to the conduct of ethical evaluations of operations, presented in Table I, show that most of the companies (90.5 per cent) agreed that they do conduct ethical evaluations of their operations. In 8 companies, representing 3.6 per cent of the sample, such audits do not take place, while 13 respondents, representing 5.9 per cent of the sample, indicated that they were not aware if their companies conduct such audits.

Employees' ethical performance evaluation

When companies conduct ethical evaluations of operations, they have an opportunity to uncover how different departments and individual employees are doing on matters of ethics. The study investigated if companies use information on employees' ethical performance as part of the criteria for employee appraisal and/or reward. It was looked at how employees' ethical performance is evaluated. Researchers across the past 20 years have supported the view that organisations need to use ethical performance in the appraisal/reward system of staff (Fraedrich, 1992; Harrington, 1991; Laczniak and Murphy, 1991; Verschoor, 2002; Brown *et al.*, 2005; Piccolo *et al.*, 2010). According to Brown *et al.* (2005), rewarding employees on ethical compliance helps one avoid compromises on ethical standards in the pursuit of bottom line organisational performance. Table II presents findings in this study relating to employees' ethical performance.

According to the results, an employee's ethical performance was found to be a criterion for the employee appraisal and/or reward in 166 companies, representing 74.8 per cent of the sample. In 11 companies or 5 per cent of the sample, this was definitely not the case, while in 45 others or 20.2 per cent of the cases, the managers were not aware whether an employee's ethical performance is a criterion for employee appraisal and/or reward. As senior employees of the organisation, one could assume that they would know whether an employee's ethical performance was a criterion for employee appraisal; however, if they did not know, one could conclude that most probably it was not as their own performance would have been appraised.

The study also examined how employees' ethical performance is evaluated in those companies that indicated that they use employees' ethical performance as a criterion for appraisal and/or reward. Callaghan *et al.* (2012) noted that performance appraisal that is based on a personal opinion rather than quantifiable data comes with the inherent risk that individuals may make judgements without due consideration of the situation and largely based on notions that are highly subjective. The results are presented in Table III.

The responses show that in 111 companies, i.e. 66.9 per cent of the sample that conducted employee ethical appraisals, set company standards were used to evaluate employees' ethical performance. This was followed by the use of superiors (41.6 per cent)

Table I. Conduct ethical audits

Conduct ethical audits	(n = 222)	(%)
Yes	201	90.5
No	8	3.6
Do not know	13	5.9
Total	56	100

Table II. Employee ethical performance appraisal

A criterion for staff appraisal	(n = 222)	(%)
Yes	166	74.8
No	11	5.0
Do not know	45	20.2
Total	222	100

and subordinates (13.2 per cent), while in 10.8 per cent of the cases, peers are the ones used to evaluate employees' ethical performance. It is concerning that 33 per cent of organisations did not have set company standards for this ethical appraisal of employees making the appraisal highly subjective and therefore the outcomes problematic. Is it ethical to evaluate a staff member's performance without formal standards in place?

Consequences for a breach of the code

The conduct of ethical audits and the evaluation of employees' ethical performance is likely to result in uncovering cases of ethical violations if they exist in the company. Violations of ethical codes can be brought to the attention of the company through other means such as through whistleblowers. Taking cognizance of the significant negative effects breaches of ethical codes can have on company stakeholders, many scholars on ethics advocate the need for codes to have clearly spelt out enforcement procedures, including consequences for a breach (Kaptein and Dalen, 2000; Thomas *et al.*, 2004; O'Dwyer and Madden, 2006). Callaghan *et al.* (2012) and Nair and Kamalanabhan (2010) point out that having procedures for a breach of code helps signal to employees the importance of abiding by the codes.

Table IV presents findings in relation to the consequences to employees for a violation of the principles of ethics codes. The results show that in 197 cases, i.e. 88.7 per cent of the sample, there were consequences in place for a violation of the principles of the codes. In 21 companies, i.e. 9.5 per cent of the sample the respondents were not aware of consequences being in place, while in 4 companies, i.e. 1.8 per cent of the sample, there were no stipulated consequences.

The results in Table V report on what the consequences were in those companies that indicated that they have them. According to the results, the most common consequence was a verbal warning, followed by a formal reprimand. Overall, 56.8 per cent of the respondents indicated yes to a verbal warning, while 52.8 per cent indicated yes to a formal reprimand. Other consequences, in order of prevalence, included dismissal (48.7 per cent), legal action (29.9 per cent), demotion (25.4 per cent) and monetary fines (8.1 per

How is ethical performance evaluated	Yes (n = 166)	Yes (%)
Against company standards	111	66.9
By superiors	69	41.6
By subordinates	22	13.2
By peers	18	10.8
Other evaluation method	0	0
Do not know	0	0

Table III. Evaluation of ethical performance

Consequences for a breach	(n = 222)	(%)
Yes	197	88.7
No	4	1.8
Do not know	21	9.5
Total	222	100

Table IV. Consequences for a breach of the code cent). The figures above show that companies are willing to dismiss staff for violations of the company code and that they are also willing to bring legal action against errant employees. The fact that a company would resort to these measures communicates to all staff that not to follow the principles laid out in the company code is not regarded as a trivial matter from the company's perspective.

Ethics committee

Ethics committees can be varied in terms of mandates. While some mandates may be to do specifically with training, others may have mandates that relate to ethics in general. Findings of studies conducted in Australia, Canada and the USA as per Callaghan *et al.* (2012) show that it is not uncommon for organisations to have a general ethics committee and an ethics training committee. The ethics training committee may actually be a sub-committee of the bigger ethics committee. Table VI presents findings relating to the current status of ethics committees. The results show that such a committee was in place in 89.1 per cent of the companies.

Ethics training committee

Commitment to supporting staff development in terms of ethics can also be evidenced by the presence of ethics training committees that are dedicated to such activities. Wells and Schminke (2001) found that the effectiveness of employee training on ethics can be compromised by a lack of proper planning and delivery. The presence of a training committee can help ensure that employee training on ethics is given special attention that can help improve the effectiveness of the company's code of ethics.

Table VII presents findings relating to the existence of ethics training committees in the companies. The findings show that such committees were present in 91.8 per cent of the companies.

What are the consequences for a breach	Yes (n = 197)	Yes (%)
Verbal warning	110 (1)	56.8
Formal reprimand	104 (2)	52.8
Dismissal	96 (3)	48.7
Legal action	59 (4)	29.9
Demotion	50 (5)	25.4
Monetary fine	16 (6)	8.1
Others	1 (7)	0.5
Do not know	0	0

Table V.
Consequences for a breach of the code

Standing ethics committee or equivalent	(n = 222)	(%)
Yes	198	89.1
No	13	5.9
Do not know	11	5.0
Total	222	100

Table VI.
Ethics committee

Staff training in ethics

Employees need to be supported to ensure that they are in a position to act in accordance with the company's code of ethics. A company cannot expect all of its employees to act according to its code of ethics unless people are aware of the code and its contents. These companies need to understand that their employees are diverse in beliefs and opinions, and as a result all do not have a similar ethical values system; therefore, ethical training is imperative to ensure a stronger focus on the development of basic ethical awareness programmes and of the offering of ethics programmes aligned with the business philosophy of the organisation.

Training provides a good opportunity for employees to learn about their company code, and it is imperative to be conducted in organisations (Axline, 1990; McDonald and Zepp, 1990; Harrington, 1991; Laczniak and Murphy, 1991; Dean, 1992; Maclagan, 1992; Sims, 1992; Wood and Callaghan, 2003; Callaghan *et al.*, 2008; Sandberg, 2012).

In a study on the effects of code of ethics, Withers and Ebrahimpour (2013) found that the presence of corporate codes of conduct alone did not have a significant effect on employee commitment to codes, while mandatory training had such an effect. Training and education in this area is of great importance. Table VIII reports on findings relating to staff training in ethics. The findings show that in nearly all of the companies (96.8 per cent), ethics training is conducted for staff, while in five companies (2.3 per cent) no such training is conducted. Respondents from two companies (0.9 per cent) indicated that they were not aware whether such training takes place.

Ethics ombudsman

In addition to committees, companies can establish an office of an ethics ombudsman within their organisation (Crotts *et al.*, 2005). Such an office is supposed to be occupied by a person who is expected to be independent and impartial (Howard, 2010). Company stakeholders including employees are expected to raise their ethics-related concerns with such an employee who is then tasked to ensure that issues raised are resolved. Table IX presents findings relating to the current status of the companies on having an ethics ombudsman or its equivalent. The findings show that such an office was present in 88.3 per cent of the companies.

Ethics training committee or its equivalent	(n = 222)	(%)
Yes	204	91.8
No	9	4.1
Do not know	9	4.1
Total	222	100

Table VII. Ethics training committee

Ethics education	(n = 222)	(%)
Yes	215	96.8
No	5	2.3
Do not know	2	0.9
Total	222	100

Table VIII. Staff training in ethics

It is good to see that only just over 10 per cent of companies appear not to have an ombudsman, but in those companies then, to whom does the company think that employees will go with an ethical issue? The logical person to whom one would think that they should go is to their supervisor; however, research by Baumhart (1961) and replicated by Brenner and Molander (1977) shows that it is the supervisor or line manager who is more likely to be the one presenting with the unethical behaviour that the employee wants to report. Not to have an ombudsman in place means that if it is more difficult for employees to feel comfortable about reporting violations to a third party, then behaviour that needs to be addressed and corrected by the organisation may never come to light.

The code as a guide to strategic planning

Thomas *et al.* (2004) contend that leaders must think strategically about how they ensure that they engender an ethical culture within the organisation. Leaders must have a vision to move their organisation towards a better ethical culture (Rampersad, 2003).

Svensson *et al.* (2006, p. 556) state that "if companies are serious about inculcating ethics into the company, then one could expect a consideration of ethics to be an integral part of the strategic planning process". Companies need to understand, consider and review their plans in light of the ethical principles that the company believes that it should practise and upon which it has predicated its decisions with respect to its marketplace participation.

Company activities should always be informed by company's strategic plans. Employees are the resource that companies use to implement strategies. As company codes of ethics are meant to help ensure that company activities are conducted in a manner that is ethical, Piccolo *et al.* (2010) and Callaghan *et al.* (2012) point out the importance of organisational leaders in providing strategic leadership and ensuring that company plans and activities are guided by ethical codes.

Table X presents findings relating to the use of company ethical codes to guide strategy planning among the companies involved in the study. The findings show that this was the case in 82 per cent of the companies investigated, while in 14.9 per cent of the cases, respondents indicated that they were not aware if this was happening, while in 3.2 per cent of the cases, code of ethics were not used to guide organisational strategic planning.

Table IX.
Ethics ombudsman

Organisational ombudsman or its equivalent	(n = 222)	(%)
Yes	196	88.3
No	15	6.8
Do not know	11	5.0
Total	222	100

Table X.
Guide to strategic planning

Code of ethics in strategic planning	(n = 222)	(%)
Yes	182	82.0
No	7	3.2
Do not know	33	14.9
Total	222	100

The researchers' intent here was to investigate the link between the code and its use in the strategic planning process. In corporate South Africa, 82.0 per cent of companies indicated that they definitely use their codes with respect to their strategic planning. A concern is that 18 per cent of companies may not check their strategic plan against their code. Not to do so means that there may be mismatches between what is required of employees in the strategic plan as against what is expected of them in the code. Such a mismatch can lead to cognitive dissonance amongst staff and in the extreme cases behaviour that whilst in alignment with the strategic plan to achieve the goals of the plan, the said behaviour may be contrary to the best interests of the organisation in terms of their alleged ethical behaviour required from all staff.

Support of whistleblowers

Research on ethics widely acknowledges the importance of organisational support for whistleblowers with respect to wanting to report ethical violations of the company's code (Mecca *et al.*, 2014; Bjørkelo *et al.*, 2010; Berry, 2004). As Grant (2002, p. 391) says:

> The extent to which corporations will go to silence or retaliate against whistleblowers, and the serious consequences whistle blowers have suffered in their careers, personally and in their families, indicate that very serious issues of business practice are at stake.

Table XI presents findings on the support of whistleblowers in the companies under study. The results show that formal guidelines for the support of whistleblowers were present in 76.1 per cent of the companies. In 9.5 per cent of companies, such guidelines were not available, while 14.4 per cent of the respondents were not aware whether such guidelines existed or not. If less than 25 per cent of companies do not appear to have whistleblower protection in place for their staff, then how do companies ensure the safety of employees both physically and psychologically when they wish to report possible ethical violations?

Findings in Table XII show details on how support is provided to whistleblowers in companies that indicated that they have support in place.

Guidelines to support whistleblowers	(n = 222)	(%)
Yes	169	76.1
No	21	9.5
Do not know	32	14.4
Total	222	100

Table XI. Support to whistleblowers

How is the support provided to whistleblowers	Yes (n = 169)	Yes (%)
Formal complaint channel	169	100.0
Guaranteed confidentiality	127	75.1
Formal investigation process	104	61.5
Formal resolution process	84	49.7
Other protection	1	0.06
Do not know	0	0

Table XII. Support to whistleblowers

The findings show that all of the companies that provided support for whistleblowers had a formal complaint channel in place for whistleblowers to use. In 127 cases, representing 75 per cent of the sample, whistleblowers were guaranteed confidentiality. However, if confidentiality is not guaranteed in 25 per cent of companies, it is confronting and disturbing. The integrity of all parties needs to be protected during a whistleblowing process, and to not enshrine confidentiality into the process is an abrogation of corporate responsibility.

Other forms of support included a formal investigation process that was present in 104 companies and a formal resolution process that was present in 84 companies. The concern is that in 50 per cent of companies, there is no formal resolution process. The situation of reporting an ethical issue needs to have a formal resolution process known openly to all employees to not only protect the whistleblower but also to protect the person against whom the allegation is made. Just because an allegation is made does not mean that it is true. The rights of all parties must be protected. Not to do so is an abrogation of the ethical responsibilities of an organisation and is contrary to having an ethics code in the first place.

Conclusions

The findings in the study show that most companies in the top 500 in the South African corporate sector have in place measures that can help enhance the ethos of their codes of ethics being inculcated into the everyday processes and procedures of their organisations. The high frequencies associated with the different elements investigated need to be understood in light of the historical development of a need for business to be ethical in South Africa. South Africa re-entered the world of international commerce just over 20 years ago with a realisation that their business practices, as a whole, would have to change and evolve into a culture that supported corporate governance and business ethics if they were to provide a credible face to the rest of the world, and thus be able to attract back not only commercial opportunities from more developed economies but also to provide a safer business environment free from corruption and miscreant behaviour towards their own citizens. The Institute of Company Directors needs to be applauded for leading the way with the three King Reports on corporate governance (1994, 2002, 2009) that it commissioned.

As long ago as 1995, it was rare to see the president of a developing country at the opening of the national parliament make comments about the country needing to thwart corruption in all of its forms. The fact that the president was Nelson Mandela, thus capitalised on his reputation to focus the efforts of all South Africans to develop a better place for all. The support that Mandela received from business organisations across the country galvanised business into action.

Corporate governance in South Africa was institutionalised by the publication of the first King Report on corporate governance ("King Report, 1994") in November 1994 (Institute of Directors, 2002). The report incorporated a Code of Corporate Practices and Conduct, and was the first of its kind in the country (Cliffe Dekker Attorneys, 2002). The purpose of the report was to improve corporate governance in South Africa and to put forward standards of conduct for boards and directors of listed companies, banks and certain state-owned enterprises. The focus of the report was to emphasise the need for companies to become a responsible part of the societies in which they operated.

South Africa's Companies Act of 2008 provided authority to the Ministry of Trade and Industry in the country to require companies with significant public interest scores to have a social and ethics committee. The public interest score is determined on the basis of three main factors: a company's annual turnover, its work force size and the nature and extent of its activities (Grant Thornton, 2011). As this study was targeting large companies operating in the country based on turnover, it is thus not surprising that most respondents in this study indicated that their companies have ethics committees.

Planting (2013) highlights that a greater awareness of business ethics in South Africa has been driven by the King III Report. The King III Report devoted its first chapter to the concept of ethical awareness, whilst the same topic was the final chapter of the King I Report of 1994. This difference in positioning highlights how the subject of ethical awareness has been moved up in priority over the past 15 years to now be the foundation stone of the actions expected from corporations in South Africa.

While external pressure including legal requirements can be helpful in exerting pressure on companies to give special attention on matters relating to ethics, having such committees *per se* cannot be adequate in ensuring that corporate activities are undertaken in an ethical manner. To this end, companies put in place different mechanisms that can help ensure that ethical conduct becomes an integral part of company's culture and practices. Table XIII provides a rank order of the current performance of companies with respect to different elements investigated in the study. Of note in these findings is the fact that although some firms indicated that they do not have some elements in place, the majority of the companies have embraced most aspects related to the inculcation of the ethos of code of ethics into their organisations.

In the area of regulation, at 90.5 per cent, conduct of ethical audits is the most prevalent artefact, followed by having in place consequences for a breach (88.7 per cent) and ethical performance appraisal (74.8 per cent). The high prevalence of ethical audits may be explained by legislative requirements for committees. Among the stipulated duties of social and ethics committees is to report on the ethical performance of their organisations. Audits help in ensuring informed appraisal of company performance. Managers can optimise on potential benefits and the mitigation of risks using audits by

Area	Companies (%)
Regulation	
Conduct ethical audits	90.5
Consequences for a breach	88.7
Ethical performance appraisal	74.8
Average	84.7
Staff support	
Staff training	96.8
Ethics training committee	91.9
Ethics committee	89.2
Ethics ombudsman	88.3
Guide to strategic planning	82.0
Support of whistleblowers	76.1
Average	87.4

Table XIII. Percentage and ranks of regulation and staff support responses – current status paying attention to how such audits are conducted. While in-house committees can be used to conduct audits, use of external auditing consultants can help in providing a more independent and credible view of performance. Managers also need to look into the ethical performance of individuals and the consequences for individuals for a breach. In particular, they need to ensure that their systems promote fairness and equity in dealing with their employees.

The findings on staff support show that training is the most prevalent form of support provided to staff. According to Wells and Schminke (2001), managers need to appreciate the need for the proper planning and delivery of training with particular regard for the need to consider the characteristics of trainees and their needs in terms of the content to cover and the pedagogy to be adopted. They point out that age, level of education, one's experiences and cognitive moral development are some of the trainee characteristics that need to be borne in mind when planning and delivering training programmes. Ethics training content needs to cover the common ethical issues and dilemmas that employees face according to their roles in the organisation. On pedagogy, Wells and Schminke (2001) advocate the use of active learning methods over simply reading about ethics. Having ethical training committees can help to ensure that adequate attention is given for ensuring that employees receive adequate quality training that is likely to make a difference in how they view and respond to ethical matters.

Staff support also entails the need to have structures that can instil employee confidence in that they will not be under pressure to compromise their or their company's ethical codes in pursuit of other performance goals, particularly financial performance, and they need to know that violations of company ethics will be handled quickly, objectively, fairly and with due process. Having ethical codes guide strategy planning and committees and personnel dedicated to handling ethical issues, as well as to have support guidelines for those who report suspected cases of ethical violations, can help in addressing concerns that employees may have.

The focus on business ethics in corporate South Africa has come a long way in 20 years. As a result of government support and legislation and the support of peak bodies in South African business, such as the Institute of Company Directors, businesses in South Africa have embraced business ethics in the republic that reflects the practices found in that of a developed nation. This study highlights how important a unified approach to business ethics is across all sectors of society, from the president to the smallest of businesses that leads to the evolution of practices that are in the best interests of all. Corporate South Africa appears to be leading the way to make business ethics considerations enshrined in all that they do. The past 20 years in South African history has been a tumultuous period, as people have tried to rebuild the country and to position it to become a developed nation. It would appear that corporate South Africa has led the way in the area of corporate governance and business ethics for which it should be applauded.

Suggestions for future studies

While this study has provided insights into company practices that can promote the inculcation of ethos of ethics, more studies are needed in this area. Future studies can look at differences, if there are any, in practices between companies that are under a legal mandate to have ethics committees and those that are not mandated to have such a requirement. The study can also be replicated in other countries in Africa to provide more insight into practices of large organisations on the continent.

References

Adams, J.S., Taschian, A.A., and Shore, T.H. (2001), "Codes of ethics as signals for ethical behaviour", *Journal of Business Ethics*, Vol. 29 No. 3, pp. 199-211.

Axline, L.L. (1990), "The bottom line on ethics", *Journal of Accountancy*, Vol. 170 No. 6, pp. 87-91.

Aydinlik, A., Donmez, D., Svensson, G., Wood, G. and Callaghan, M. (2008), "Communicating the ethos of codes of ethics within the organization: a comparison of the largest private sector organizations in Sweden and Turkey", *Journal of Management Development*, Vol. 27 No. 7, pp. 778-790.

Baumhart, R.C. (1961), "How ethical are businessmen?", *Harvard Business Review*, Vol. 39 No. 4, pp. 6-176.

Benson, G.C.S. (1989), "Codes of ethics", *Journal of Business Ethics*, Vol. 8 No. 5, pp. 305-319.

Berenbeim, R. (2000), "Global ethics", *Executive Excellence*, Vol. 17 No. 5, p. 7.

Berry, B. (2004), "Organizational culture: a framework and strategies for facilitating employee whistleblowing", *Employee Responsibilities and Rights Journal*, Vol. 16 No. 1, pp. 1-11.

Bethoux, E., Didry, C.A. and Mias, A. (2007), "What codes of conduct tell us: corporate social responsibility and the nature of the multinational corporation", *Corporate Governance*, Vol. 15 No. 1, pp. 77-90.

Bisschoff, C. and Fullerton, S. (2011), "Managerial business ethics in South Africa: an exploratory comparison-1987 and 2009", *African Journal of Business Ethics*, Vol. 5 No. 1, pp. 14-25.

Bjørkelo, B., Einarsen, S. and Matthiesen, S.B. (2010), "Predicting proactive behaviour at work: exploring the role of personality as an antecedent of whistleblowing behaviour", *Journal of Occupational and Organizational Psychology*, Vol. 83 No. 2, pp. 371-394.

Botha, H. (2009), "Corporate governance, leadership and ethics: Interrelated trio", *Management Today*, Vol. 25 No. 2, pp. 55-57.

Brenner, S.N. and Molander, E.A. (1977), "Is the ethics of business changing?" *Harvard Business Review*, Vol. 55 No. 1, pp. 57-71.

Brown, M.E., Trevino, L.K. and Harrison, D.A. (2005), "Ethical leadership: a social learning perspective for construct development and testing", *Organizational Behavior and Human Decision Processes*, Vol. 97 No. 2, pp. 117-134.

Callaghan, M. and Wood, G. (2014), "The Engagement with business ethics: an Australian journey 1995-2010", *European Business Review*, Vol. 26 No. 4, pp. 286-304.

Callaghan, M., Wood, G., Payan, J.M., Singh, J. and Svensson, G. (2012), "Code of ethics quality: an international comparison of corporate staff support and regulation in Australia, Canada and the United States", *Business Ethics: A European Review*, Vol. 21 No. 1, pp. 15-30.

Callaghan, M., Wood, G. and Svensson, G. (2008), "A longitudinal study of the commitment to business ethics of corporate Australia", *International Journal of Entrepreneurship and Small Business*, Vol. 6 No. 1, pp. 173-184.

Carasco, E.F. and Singh, J. (2003), "The content and focus of the codes of ethics of the world's largest transnational corporations", *Business and Society Review*, Vol. 108 No. 1, pp. 71-94.

Chonko, L.B., Wotruba, T.R. and Loe, T.W. (2003), "Ethics code familiarity and usefulness: views on idealist and relativist managers under varying conditions of turbulence", *Journal of Business Ethics*, Vol. 42 No. 3, pp. 237-252.

Cliffe Dekker Attorneys (2002), "King III report", available at: www.mervynking.co.za/downloads/CD_King2.pdf (accessed 15 January 2015).

Cressey, D.R. and Moore, C.A. (1983), "Managerial values and corporate codes of ethics", *California Management Review*, Vol. 25 No. 4, pp. 53-77.

Crotts, J.C., Dickson, D.R. and Ford, R.C. (2005), "Aligning organizational processes with mission: the case of service excellence", *The Academy of Management Executive*, Vol. 19 No. 3, pp. 54-68.

Dean, P.J. (1992), "Making codes of ethics real", *Journal of Business Ethics*, Vol. 11 No. 4, pp. 285-290.

Del Fabro (2012), "South Africa in need of higher business ethic standing", avialable at: www.skillsportal.co.za/page/features/corporate-governance-ethics/1425954-South-Africa-in-need-of-higher-business-ethic-standing (accessed 10 February 2014).

Delloite (2012), "Social and ethics committee resource guide", available at: www.deloitte.com/assets/Dcom…/social_ethics_resource_guide2.pdf (accessed 19 February 2014).

Farrell, B.J. and Cobbin, D.M. (1996), "A content analysis of codes of ethics in Australian enterprises", *Journal of Management Psychology*, Vol. 11 No. 1, pp. 37-55.

Fraedrich, J.P. (1992), "Signs and Signals of unethical behavior", *Business Forum*, Vol. 17 No. 2, pp. 13-17.

Garcia-Marza, D. (2005), "Trust and dialogue: theoretical approaches to ethics auditing", *Journal of Business Ethics*, Vol. 57 No. 3, pp. 209-219.

Grant, C. (2002), "Whistle blowers: saints of secular culture", *Journal of Business Ethics*, Vol. 39 No. 4, pp. 391-399.

Grant Thornton (2011), "Public interest score calculator", available at: www.gt.co.za/publications/2011/06/public-interest-score-calculator/ (accessed 19 February 2014).

Harrington, S.J. (1991), "What corporate America is teaching about ethics", *Academy of Management Executive*, Vol. 5 No. 1, pp. 21-30.

Howard, C.L. (2010), *The Organizational Ombudsman: Origins, Roles, and Operations: A Legal Guide*, American Bar Association, Chicago, IL.

Institute of Directors (1994), "King report on corporate governance", Institute of Directors, Johannesburg.

Institute of Directors (2002), "Business ethics codes", available at: www.ecgi.org/codes/documents/executive_summary.pdf (accessed 12 January 2014).

Jaehnig, W.B. and Onyebadi, U. (2011), "Social audits as media watchdogging", *Journal of Mass Media Ethics*, Vol. 26 No. 1, pp. 2-20.

Kaptein, M. (2004), "Business codes of multinational firms: what do they say?", *Journal of Business Ethics*, Vol. 50 No. 1, pp. 13-31.

Kaptein, M. and Dalen, J.V. (2000), "The empirical assessment of corporate ethics: a case study", *Journal of Business Ethics*, Vol. 24 No. 2, pp. 95-114.

Kaye, B.N. (1992), "Codes of ethics in Australian business corporations", *Journal of Business Ethics*, Vol. 11 No. 11, pp. 857-862.

Laczniak, G.R. and Murphy, P.E. (1991), "Fostering ethical marketing decisions", *Journal of Business Ethics*, Vol. 10 No. 4, pp. 259-271.

Langlois, C.C. and Schlegelmilch, B.B. (1990), "Do corporate codes of ethics reflect national character? Evidence from Europe and the United States", *Journal of International Business Studies*, Vol. 21 No. 4, pp. 519-539.

Le Jeune, M. and Webley, S. (1998), *Company Use of Codes of Business Conduct*, Institute of Business Ethics, London.

LeFebvre, M. and Singh, J.B. (1992), "The content and focus of Canadian corporate codes of ethics", *Journal of Business Ethics*, Vol. 11 No. 10, pp. 799-808.

McDonald, G.M. and Zepp, R.A. (1990), "What should be done? A Practical approach to business ethics", *Management Decision*, Vol. 28 No. 1, pp. 9-14.

Maclagan, P. (1992), "Management development and business ethics: a view from the UK", *Journal of Business Ethics*, Vol. 11 No. 4, pp. 321-328.

Mathews, M.C. (1987), "Codes of ethics: organizational behavior and misbehavior", in Frederick, W.F. (Ed.), *Research in Corporate Social Performance and Policy*, JAI Press, Greenwich, CT, Vol. 9, pp. 107-130.

Mecca, J.T., Giorgini, V., Medeiros, K., Gibson, C., Devenport, L., Connelly, S. and Mumford, M. (2014), "Perspectives on whistleblowing: faculty member viewpoints and suggestions for organizational change", *Accountability in Research*, Vol. 21 No. 3, pp. 159-175.

Murphy, P.E. (1988), "Implementing business ethics", *Journal of Business Ethics*, Vol. 7 No. 12, pp. 907-915.

Nair, P. and Kamalanabhan, T.J. (2010), "Performance pressure and peer reporting of infractions: a moderated mediation model", *Journal of Indian Business Research*, Vol. 2 No. 4, pp. 216-229.

Nijhof, A., Cludts, S., Fisscher, O. and Laan, A. (2003), "Measuring the implementation of codes of conduct: an assessment method based on a process approach of the responsible organisation", *Journal of Business Ethics*, Vol. 45 Nos 1/2, pp. 65-78.

O'Dwyer, B. and Madden, G. (2006), "Ethical codes of conduct in Irish companies: a survey of code content and enforcement procedures", *Journal of Business Ethics*, Vol. 63 No. 3, pp. 217-236.

Piccolo, R.F., Greenbaum, R., Hartog, D.N.D. and Folger, R. (2010), "The relationship between ethical leadership and core job characteristics", *Journal of Organizational Behavior*, Vol. 31 Nos 2/3, pp. 259-278.

Preuss, L. (2010), "Codes of conduct in organisational context: from cascade to lattice-work of codes", *Journal of Business Ethics*, Vol. 94 No. 4, pp. 471-487.

Rampersad, H.K. (2003), "Linking self-knowledge with business ethics and strategy development", *Business Ethics: A European Review*, Vol. 12 No. 3, pp. 246-257.

Rossouw, G.J. (1997), "Business ethics in South Africa", *Journal of Business Ethics*, Vol. 16 No. 14, pp. 1539-1547.

Rossouw, G.J. (2005), "The philosophical premises of the second King Report on corporate governance", *Koers*, Vol. 70 No. 4, pp. 745-748.

Sandberg, J. (2012), "Ethics in corporations", in Chadwick, R. (Ed.), *Encyclopedia of Applied Ethics*, 2nd ed., Academic Press, San Diego, pp. 656-666.

Schwartz, M.S. (2002), "A code of ethics for corporate code of ethics", *Journal of Business Ethics*, Vol. 41 Nos 1/2, pp. 27-43.

Sims, R.R. (1992), "The challenge of ethical behavior in organizations", *Journal of Business Ethics*, Vol. 11 No. 7, pp. 505-513.

Singh, J. (2006), "Ethics programs in Canada's largest corporations", *Business and Society Review*, Vol. 111 No. 2, pp. 119-137.

Singh, J. (2011), "Changes and trends in Canadian corporate ethics programs", *Business and Society Review*, Vol. 116 No. 2, pp. 257-276.

Singh, J., Carasco, E., Svensson, G., Wood, G. and Callaghan, M. (2005), "A comparative study of the contents of corporate codes of ethics in Australia, Canada and Sweden", *Journal of World Business*, Vol. 40 No. 1, pp. 91-109.

Somers, M.J. (2001), "Ethical codes of conduct and organizational context: a study of the relationship between codes of conduct, employee behaviour and organizational values", *Journal of Business Ethics*, Vol. 30 No. 2, pp. 185-195.

Stohl, C., Stohl, M. and Popova, L. (2009), "A new generation of corporate codes of ethics", *Journal of Business Ethics*, Vol. 90 No. 4, pp. 607-622.

Svensson, G., Wood, G. and M. Callaghan (2004), "A comparison between corporate and public sector business ethics in Sweden", *Business Ethics: A European Review*, Vol. 13 Nos 2/3, pp. 166-184.

Svensson, G., Wood, G. and Callaghan, M. (2006), "Codes of ethics in corporate Sweden", *Corporate Governance*, Vol. 6 No. 5, pp. 547-566.

Svensson, G., Wood, G., Singh, J., Payan, Janice, M. and Callaghan, M. (2011), "The embeddedness of codes of ethics in organizations in Australia, Canada and the United States", *Business Ethics: A European Review*, Vol. 20 No. 4, pp. 405-417.

Thomas, T., Schermerhorn, J.R. and Dienhart, J.W. (2004), "Strategic leadership of ethical behavior in business", *The Academy of Management Executive*, Vol. 18 No. 2, pp. 56-66.

Van Tonder, C.L. (2006), "Towards a minimum conceptualisation of ethical organisational change: the platform provided by the King II Report", *SA Journal of Human Resource Management*, Vol. 4 No. 3, pp. 12-21.

Verschoor, C.C. (2002), "It isn't enough to just have a code of ethics", *Strategic Finance*, Vol. 84 No. 6, pp. 22-23.

Weaver, G. Trevino, L. and Cochran, P.L. (1999), "Corporate ethics practices in the mid 1990's: an empirical study of the Fortune 1000", *Journal of Business Ethics*, Vol. 18 No. 3, pp. 283-294.

Weber, J. (1981), "Institutionalizing ethics into the corporation", *MSU Business Topics*, Vol. 29, pp. 47-51.

Wells, D. and Schminke, M. (2001), "Ethical development and human resources training: an integrative framework", *Human Resource Management Review*, Vol. 11 No. 1, pp. 135-158.

Whyatt, G., Wood, G. and Callaghan, M. (2012), "Commitment to business ethics in UK organizations", *European Business Review*, Vol. 24 No. 4, pp. 331-350.

Wiley, C. (1995), "The ABC's of business ethics: definitions, philosophies and implementation", *Industrial Management*, Vol. 31 No. 1, pp. 22-27.

Winkler, I. (2011), "The representation of social actors in corporate codes of ethic. how code language positions internal actors", *Journal of Business Ethics*, Vol. 101, pp. 653-665.

Withers, B. and Ebrahimpour, M. (2013), "The Effects of codes of ethics on the supply chain: a comparison of LEs and SMEs", *Journal of Business & Economic Studies*, Vol. 19 No. 1, pp. 1-22.

Wood, G. (2002), "A partnership model of corporate ethics", *Journal of Business Ethics*, Vol. 40 No. 1, pp. 61-73.

Wood, G. and Callaghan, M. (2003), "Communicating the ethos of codes of ethics in corporate Australia: 1995-2001: whose rights, whose responsibilities?", *Employee Responsibilities and Rights Journal*, Vol. 15 No. 4, pp. 209-221.

Wood, G., Svensson, G., Singh, J., Carasco, E. and Callaghan, M. (2004), "Implementing the ethos of corporate codes of ethics: Australia, Canada and Sweden", *Business Ethics: A European Review*, Vol. 13 No. 4, pp. 389-403.

Further reading

Barnett, T., Cochran, D.S. and Taylor, G.S. (1993), "The internal disclosure policies of private-sector employers: an internal look at their relationship to employee whistle blowing", *Journal of Business Ethics*, Vol. 12 No. 2, pp. 127-136.

Carson, T.L. (2003), "Self-interest and business ethics: some lessons of the recent corporate scandals", *Journal of Business Ethics*, Vol. 43 No. 4, pp. 389-394.

Keenan, J.P. (1995), "Whistle blowing and the first level manager: determinants of feeling obliged to blow the whistle", *Journal of Social Behavior and Personality*, Vol. 10 No. 3, pp. 571-584.

Keenan, J.P. and Krueger, C.A. (1992), "Whistle blowing and the professional", *Management Accounting*, Vol. 74 No. 2, pp. 21-24.

Miceli, M.P. and Near, J.P. (1984), "The relationship among beliefs, organizational position, and whistle blowing status: a discriminant analysis", *Academy of Management Journal*, Vol. 27 No. 4, pp. 687-705.

Miceli, M.P., Near, J.P. and Schwenk, C.R. (1991), "Who blows the whistle and why?", *Industrial and Labor Relations Review*, Vol. 45 No. 1, 113-130.

Sims, R.R. (1991), "The institutionalization of organizational ethics", *Journal of Business Ethics*, Vol. 10 No. 7, pp. 493-506.

Stajkovic, A.D. and Luthans, F. (1997), "Business ethics across cultures: a social cognitive model", *Journal of World Business*, Vol. 32 No. 1, pp. 17-34.

Corresponding author
Mercy Mpinganjira can be contacted at: mmpinganjira@uj.ac.za