Changes in the contents of corporate codes of ethics: an institutional interpretation

Jang B. Singh
Odette School of Business, University of Windsor, Windsor, Ontario, Canada

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Abstract

Purpose – The purpose of this paper was to examine changes in the contents of Canadian corporate codes of ethics over a period of two decades from an institutionalization perspective.

Design/methodology/approach – The paper tracks changes in the contents of the codes of large Canadian corporations longitudinally by analyzing their contents at two points over two decades, in 1992 and 2012. In particular, the paper tests three hypotheses related to the institutionalization of codes.

Findings – It was found that the codes have become more prescriptive, they are more concerned with social responsibility and are more likely to identify their moral and legal authority. Overall, the findings support an institutional interpretation of the observed changes.

Research limitations/implications – While large corporations are critical in establishing new and innovative management practices, their selection as the study population limits the generalizabilty of the findings. Another limitation of this paper is that it used an a priori determined set of items to analyze the contents of the codes and while this was needed to facilitate the comparison across time, it also meant that some important items were not clearly identified.

Originality/value – Codes of ethics are the foundation of ethics programs in corporations and their contents could be critical in the development of a culture of ethics in corporations. This paper makes a valuable contribution to research on business ethics by analyzing the codes of ethics of the largest corporations in Canada at two points over two decades. The need to track changes in corporate codes of ethics over time has been advocated by several researchers, but longitudinal studies in this area are rare.

Keywords Business ethics, Canadian codes of ethics, Corporate codes of ethics, Institutionalization, Isomorphic change, Longitudinal

Paper type Research paper

Introduction

Periodic examination of the contents of corporate codes of ethics is important, as changing content over time reflects changing environmental conditions and consequential changing values in organizations. Several researchers have alluded to the need for tracking trends in the contents of corporate codes of ethics (Weaver, 1993) as such periodic analysis whether there is evidence of homogenization or diversification in codes. There is no better way to do this than by examining the contents of codes in a set way over time and comparing the results. The current study, a longitudinal analysis, accomplishes this by examining the contents of the codes of ethics of Canada's largest corporations in 1992 and 2012. In particular, the study examines the trends in the contents of the codes to determine whether they display features of institutionalization. The purpose of this study was to analyze, according to a specific method, the contents of the corporate codes of ethics of Canada's largest corporations in 1992 and, 20 years later,

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in 2012, and to assess the level of institutionalization over time. Canadian corporations are especially suited for this investigation, as there is no binding requirement for them to have a code and, although encouraged to do so, only general guidelines are provided on what to cover in these documents (Ontario Securities Commission, 2005).

Literature review and hypotheses

Corporate codes of ethics have an impact on business ethics in organizations generally and in the present context on business ethics in Canada's largest corporations. Stajkovic and Luthans (1997) address this issue in a social-cognitive approach, identifying three factors that influence business ethics standards and conduct: institutional factors (e.g. ethics legislation), personal factors (e.g. moral development) and organizational factors (e.g. code of ethics). These key antecedent factors interact triadically to influence ethical standards. In this study, a key organizational factor, corporate codes of ethics, is examined in 1992 and 2012 at Canada's largest corporations. Some earlier studies have tracked the evolution of the contents of corporate codes of ethics in Canada and elsewhere. Singh (2006a, 2006b) compared the contents of codes of ethics of Canadian corporations in 1992 and 2003 and found that the focus in both sets of codes was on conduct against the firm. He also found that the latter codes had a significant increase in the frequency of mention of environmental issues, legal responsibility as the basis for codes and enforcement/compliance procedures. Singh *et al.* (2011, p. 103) in a longitudinal and comparative analysis of the contents of corporate codes in Australia, Canada and Sweden concluded that the documents were living documents, as reflected by the significant longitudinal changes in the frequencies of mention of several included in the content analysis of the codes of ethics. They suggest that the codes should be treated as dynamic documents that are influenced by various environmental factors. In an anthology of codes of ethics, Mcdonald (2009) observes that initially the themes contained in codes of ethics were narrow and focused on issues like conflict of interest but over time have evolved to recognize the importance of other stakeholders and society at large. Langlois and Schlegelmilch (1990, p. 522) define a corporate code of ethics as:

> […] a statement setting down corporate principles, ethics, rules of conduct, codes of practice or company philosophy concerning responsibility to employees, shareholders, consumers, the environment, or any other aspects of society external to the company.

Corporate codes of ethics, which vary in length, breadth and depth of topics covered, have increasingly assumed importance in corporations globally. Murphy (2005), in a longitudinal analysis of large American and multinational corporations at three points between 1992 and 2003, reports an increase in the prevalence and better external communication of ethical statements. Berenbeim (2000) points to three trends as evidence of this growing importance of corporate codes of ethics: the globalization 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.

Research on corporate codes of ethics has intensified since the early 1980s, with studies being conducted on corporations operating in Canada (LeFebvre and Singh, 1992; Schwartz, 2002; Singh, 2006a, 2006b; Singh, 2011), in the USA (Cressey and Moore, 1983; Mathews, 1988; Weaver *et al.*, 1999; Berenbeim, 2000; Chonko *et al.*, 2003), in the UK (Langlois and Schlegelmilch, 1990, Le Jeune and Webley, 1998), in Ireland (O'Dwyer and Madden, 2006), in Sweden (Svensson *et al.*, 2004, 2006), in Australia (Kaye, 1992; Farrell and Cobbin, 1996; Wood, 2000; Wood and Callaghan, 2003), in Italy (Lugli *et al.*, 2009) and transnationally (Bethoux *et al.*, 2007; Carasco and Singh, 2003; Singh *et al.*, 2005, Wood *et al.*, 2004; Singh *et al.*, 2011; Svensson *et al.*, 2009).

One issue investigated in studies of corporate codes is their effectiveness in influencing behavior in organizations. Some studies have found a positive relationship between codes and behavior (Adams *et al.*, 2001), some have found a positive relationship but only when other factors are present (Wotruba *et al.*, 2001) and some have found no relationship (Marnburg, 2000). Koonmee *et al.* (2010) investigated the relationship between the explicit institutionalization of ethics, as in codes, and job-related employee outcomes and found no statistically significant relationship but, nevertheless, recommend that organizations explicitly institutionalize ethics because this provides clear guidance to employees on appropriate conduct. Valentine (2010, p. 908) supports this position in his interpretation of the findings of Koonmee *et al.* (2010), stating that they:

> […] support past work in this area and suggest that the advancement of implicit and explicit ethical contexts comprised of positive business values and practices should consistently yield beneficial employee job attitudes and perceptions.

Valentine (2010), Koonmee *et al.* (2010) and other studies alluded to earlier, investigating the relationship between corporate codes of ethics and ethical behavior, have produced mixed results. A logical question to ask therefore is if there is no definitive link between behavior and the codes, why do corporations persist in establishing and maintaining them in light of no clear operational benefit? The answer may be found in institutional theory as applied in the theoretical framework shown in Figure 1. Meyer and Rowan (1977, p. 341) suggest that the formal structures of many modern organizations "reflect

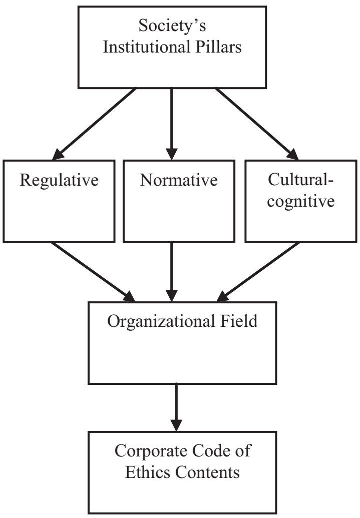

Figure 1.
Theoretical framework

the myths of their institutional environments instead of the demands of their work activities". They further suggest that:

> Many of the positions, policies, programs, and procedures of modern organizations are enforced by public opinion, by the views of important constituents, by knowledge legitimated through the educational system, by social prestige, by the laws, and by the definitions of negligence and prudence used by the courts. Such elements of formal structure are manifestations of powerful institutional rules which function as highly rationalized myths that are binding on particular organizations. Meyer and Rowan (1977, p. 343).

Scott (2008, p. 48) defines institutions as being "comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life". Regulative, normative and cultural-cognitive systems are the three pillars of institutions. The three pillars determine the bases of the legitimacy of an organization. The regulative pillar emphasizes conformity to rules, implying that legitimate organizations are those that comply with the laws of a jurisdiction. The existence of a corporate code of ethics may be a result of regulation. For example, in the USA, publicly traded corporations are required to have a code of ethics. While not required to have a code in Canada, corporations that do have a code are required to submit it to the regulatory body. The contents of the codes may also reflect regulatory forces, e.g. reference in codes of ethics to environmental laws underlines the search for legitimacy through the regulative pillar of institutions. The normative pillar is dependent on a moral base of legitimacy. This perspective views corporations as being subject to societal values, and therefore, the need for and contents of corporate codes are driven by those values. Scott (2008) suggests that normative controls have a greater probability of being internalized and, therefore, conformity with them likely results in both intrinsic and extrinsic rewards. The cultural-cognitive pillar focuses on the role of culture in the thought processes of members of organizations. Here it is not the objective situation that is important but the meaning attached to it by individuals. Corporate leaders, like all individuals, are shaped by their experiences and these experiences influence their thought processes. These leaders would be influenced by their experiences during their education, and it is clearly the case that ethics is today more emphasized in business education than in the past. For example, the Association to Advance Collegiate Schools of Business (AACSB) in 2003 established a taskforce to examine the teaching of ethics at its member schools and subsequently recommended that they strengthen their commitment to ethics responsibility and teach ways of resolving ethical dilemmas in business (AACSB, 2004).

The three pillars of institutions function either singly or in combination to establish and maintain the legitimacy of organizations. Legitimacy is determined by society generally and specifically by the organizational field of a particular corporation. The existence and contents of corporate codes of ethics are integral to the establishment of legitimacy in both arenas.

Following the lead of Fligstein (1990), the largest Canadian corporations are treated as an organizational field in this study.

Organizations functioning within the same field and facing similar environmental conditions are likely to develop similar structures. DiMaggio and Powell (1983) posit that the concept that best describes this process is institutional isomorphic change whereby organizations facing the same environmental conditions become similar over time. Such change is driven not by competitive forces but by institutional forces, as "organizations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness" (DiMaggio and Powell, 1983, p. 150).

Hypotheses

H1. Over time, corporate codes of ethics would become more prescriptive.

The proliferation and increased sophistication of corporate codes of ethics suggest that over time they would converge on particular items and that such convergence would be reflected in increased frequency of mention of these items in the codes. The first hypothesis in this study examined changes in the level of prescription in the codes, the rationale being that increased homogenization over time, reflecting institutional isomorphic change, will be reflected in a higher level of common items mentioned in the codes:

H2. Over time, corporate codes of ethics would become more concerned with corporate social responsibility issues.

Corporate codes of ethics have been criticized for being deficient in addressing social responsibility issues, and there is a logical expectation that such criticism would be addressed as the codes evolve. Stohl *et al.* (2009, p. 608) in a study of the codes of ethics of transnational corporations identify three generations of codes:

(1) first generation, which focus on the legal context of corporate behavior;

(2) second generation, which locate corporate responsibility to groups directly associated with the corporation; and

(3) third generation, which are grounded in responsibilities to the larger inter-connected environment.

This typology, as adapted to the domestic environment of large Canadian corporations, provides the rationale for the second hypothesis in this study:

H3. Over time, corporate codes will be more concerned with identifying their moral and legal authority.

Mathews (1988), Frederick (1991) and Stansbury and Barry (2007) all address the importance of identifying the legal and moral bases of corporate codes of ethics. In combination, these bases could impact the effectiveness of the codes. Moreover, their legal and moral bases are, respectively, regulative and normative determinants of the institutionalization of corporate codes of ethics. Hence, this hypothesis was tested.

Method

As stated earlier, the purpose of this study was to analyze, according to a specific method, the contents of the corporate codes of ethics of Canada's largest corporations in 1992, and 20 years later, in 2012, and to assess the level of institutionalization over time. Krippendorff (2013, p. 24) conceptually defines content analysis as a research technique for making replicable and valid inferences from texts (or other meaningful manner) to the contexts of their use. Stemler (2001, p. 1) offers the following operational definition of content analysis: a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding. Among the many uses of this research technique is the examination of patterns and trends in documents such as corporate codes of ethics. This may be done through emergent coding where categories are identified after examination of the data or through a priori coding where established categories, derived from previous studies, guide the analysis. According to Krippendorff (2013, p. 1), although the term "content analysis" is about 60 years old, the intellectual roots of the technique "can be traced far back in human history, to the beginning of the conscious use of symbols and voice, especially writing". The content analysis of the codes in this study was essentially a qualitative investigation that sought to identify themes in the codes of ethics. The qualitative findings were tabulated, and within the overall objective of seeking to identify themes and trends, three hypotheses on institutionalization were tested.

The contents of the codes were analyzed according to an a priori scheme derived from Cressey and Moore (1983), Mathews (1988), Lefebvre and Singh (1992) and Wood (2000). Cressey and Moore (1983) examined codes of ethics of 119 US corporations along a number of criteria:

- policy area (conduct on behalf of the firm, conduct against the firm and integrity of books and records);
- authority (precepts, trends or principles that make a code seem ethical, morally necessary or legitimate); and
- compliance procedures (the methods specified for monitoring, enforcing, sanctioning or otherwise ensuring compliance with the provisions of a code).

Mathews (1988) analyzed the codes of 202 of the most profitable American corporations using an extension of the Cressey and Moore technique. Content was classified as follows:

- categories of behavior and actions covered by the code;
- enforcement procedures; and
- penalties for non-compliance.

These three broad categories contained a total of 64 items and each item was assessed as not discussed, discussed, discussed in detail and emphasized. For the purposes of analysis, Mathews (1988) grouped the 64 items under ten areas.

Lefebvre and Singh (1992) modified the Mathews technique for their study of Canadian corporations, which was later modified by Wood (2000) for his study of Australian corporations. Wood's approach did not assess the degree to which items were discussed in the codes but measured only the frequency of mention. He argues that the amount of space devoted to an item within the code may not necessarily correlate with the importance that the company attaches to it and contends that the space devoted to it may be a result of the difficulty of expressing the concept.

The content analysis technique used in the current study is closest to Wood's approach and includes 59 items, as some of the items in the Mathews (1988) study were eliminated because they are not applicable to Canadian codes. The codes were examined to determine if they included each of these 59 predetermined items. The analysis of the contents of the codes collected in 1992 and 2012 was manually done by one person and randomly checked for accuracy by another. In both instances, the check for accuracy was done by the same person. This provided assurance of consistency in the content analysis between the two data analysis points. Moreover, the person analyzing the codes for the current study also independently analyzed 32 codes from an earlier study of transnational corporations (Carasco and Singh, 2003): the results were compared to the findings of that study and found to be consistent. Little or no difference was found in the classifications.

The contents of the codes of ethics were analyzed within the following seven categories with results reported as frequency of mention:

(1) conduct on behalf of the firm;
(2) conduct against the firm;
(3) integrity of books and records;
(4) basis of the code;
(5) laws and agencies cited;
(6) compliance; and
(7) general information.

The frequencies of mention of the 59 a priori items in the codes were computed and are presented in Tables I-VII. Z-tests for difference of proportions (one-tailed) were done for the 59 items, comparing the 1992 and 2012 findings (Zikmund, 1991). In Tables I-VII, differences in proportions significant at the $p \leq 0.01$ level (critical Z-value of 2.33) and those significant at the $p \leq 0.05$ level (critical Z-value of 1.645) are indicated as shown in the tables. *H1*, that over time corporate codes of ethics would become more prescriptive, was tested by comparing the overall average frequency of mention of the 59 items in the

Item	1992 $n = 75$ (%)	2012 $n = 80$ (%)
1. Relations with home government	58.7	57.5
2. Relations with customers/suppliers	77.4	90*
3. Relations with employees-health, safety	48	67.5**
4. Relations with competitors	29.3	75**
5. Relations with foreign governments	22.7	35*
6. Relations with investors	32	73.75
7. Civic and community affairs	33.3	61.25**
8. Relations with consumers	33.3	15**
9. Environmental affairs	21.3	53.75**
10. Product safety	12	41.25**
11. Product quality	24	38.75
12. Payments or political contributions to governments or government officials or employees	72.7	61.25
13. Acceptance of bribes, kickbacks, gift/entertainment	82.7	95**
14. Giving of bribes, kickbacks, gifts/entertainment	66.7	77.5
Average score	43.9	60.2*

Notes: $*p \leq 0.05$; $**p \leq 0.01$

Table I. Conduct on behalf of the firm content analysis at the two data collection points. *H2*, that over time corporate codes of ethics would become more concerned with corporate social responsibility issues, was tested by comparing the averages of Items 7 and 9, civic and community affairs and environmental affairs, respectively, at the data collection points. Similarly, *H3* was tested by comparing the frequency of mention of the legal and ethical bases of the codes at the data collection points.

The sample for the 1992 study was drawn from the Summer 1988 edition of the *Financial Post* data on Canada's top corporations. This publication identified the top 500 Canadian corporations ranked by revenue. Prospective respondents were contacted by postal mail. The letter briefly described the nature of the research, guaranteed the confidentiality of the information provided and requested a copy of the corporation's code of ethics. This process yielded a total of 107 documents, but only 75 were deemed to be codes of ethics. The sample for the 2012 study was drawn from the Summer 2010 edition of the aforementioned *Financial Post* (2010) publication. As in 1992, a request for a copy of their company's code of ethics was sent by postal mail to the CEO or Chair of Canada's top 500 companies ranked by revenue. This process led to the receipt of 90 documents, of which 80 were deemed to be codes of ethics.

Table II. Conduct against the firm

Item	1992 $n = 75$ (%)	2012 $n = 80$ (%)
15. Conflict of interest	95.3	95
16. Divulging trade secrets/proprietary information	81.3	76.25
17. Insider trading information	72	67.5
18. Personal character matters	50.7	93.75**
19. Other conduct against the firm	52	85**
Average score	70.3	83.5*

Notes: $*p \leq 0.05$; $**p \leq 0.01$

Table III. Integrity of books and records

Item	1992 $n = 75$ (%)	2012 $n = 80$ (%)
20. Integrity of books and records	82.7	77.5

Notes: $*p \leq 0.05$; $**p \leq 0.01$

Table IV. Basis of code

Item	1992 $n = 75$ (%)	2012 $n = 80$ (%)
21. Legal responsibility	32	60**
22. Ethical responsibility	70.7	87.5**
Average score	51.4	73.75**

Notes: $*p \leq 0.05$; $**p \leq 0.01$

Item	1992 $n = 75$ (%)	2012 $n = 80$ (%)
23. Competition Act/Anti-trust	44	41.25
24. Securities	24	42.5**
25. Environment	9.3	48.75**
26. Food and drug	0	2.5
27. Product safety and quality	0	2.5
28. Worker health/safety	9.3	53.75**
29. Bribes or payments to governments or officials	14.7	53.75**
30. False advertising	2.7	6.25
31. Other laws	12	63.75**
Average score	12.9	35**
Governmental agencies/commissions referred to		1.25
32. Competition tribunal/TPA	1.3	
33. Other agencies	0	11.25**
Average score	0.65	6.25*

Notes: $*p \leq 0.05$; $**p \leq 0.01$

Table V.
Laws cited (in reference to)

Item	1992 $n = 75$ (%)	2012 $n = 80$ (%)
34. Supervisor surveillance	45.3	65**
35. Internal watchdog committee	9.3	25**
36. Internal audits	34.7	26.25
37. Read and understand affidavit	45.3	50
38. Routine financial budgetary review	1.3	8.75*
39. Legal department review	9.3	12.5
40. Other oversight procedures	18.7	10
41. Supervisor	69.3	68.75
42. Internal watchdog committee	0	20**
43. Corporation's legal counsel	44	33.75
44. Other (in firm)	46.7	66.25**
45. Compliance affidavits	34.7	27.5
46. Employee integrity	44	91.25**
47. Senior management (role models)	6.7	40**
48. Independent auditors	13.3	7.25
49. Law enforcement	1.3	20**
50. Other external	1.3	31.25**
Average score	25	

Notes: $*p \leq 0.05$; $**p \leq 0.01$

Table VI.
Types of compliance/ enforcement procedures

Findings

In this section, the findings on the 59 a priori determined items are first presented within the aforementioned seven categories. This is followed by findings regarding three emergent items. The three previously stated hypotheses are then tested.

Table VII.
Penalties for non-compliance

Item	1992 $n = 75$ (%)	2012 $n = 80$ (%)
51. Reprimand	8	12.5
52. Fine	2.7	5
53. Demotion	5.3	2.5
54. Dismissal/Firing	46.7	46.25
55. Other internal penalty	26.7	7.5**
56. Legal prosecution	14.7	20
57. Other external penalty	4	6.25
Average score	15.4	14.3

Notes: $*p \leq 0.05$; $**p \leq 0.01$

Conduct on behalf of the firm
This category consists of 14 items focusing on the actions of employees when representing their corporations. These items are concerned with the behavior of employees, as they represent organizations in their interactions with stakeholders.

As shown in Table I, the average frequency of mention of the 14 items in this category moved from 43.9 per cent in 1992 to 60.2 per cent in 2012, a change statistically significant at the 0.05 level. From 1992 to 2012, there have been significant changes in several of these items.

Significant change was observed on Item 2, "Relations with customers/suppliers", with frequency of mention rising to 90 per cent in 2012, significantly higher at the 0.05 level than in 1992. This is an indication of greater concern with ethical conduct in the supply chain. On employee health and safety issues (Item 3), the frequency of mention rose from 48 per cent in 1992 to 67.5 per cent in 2012 (significant at the 0.05 level). Similarly, the proportion of codes mentioning "Relations with competitors" rose from 29.3 per cent in 1992 to 75 per cent in 2012, this increase being significant at the.01 level. Codes mentioning "Civic and Community affairs," increased significantly in 2012 to 61.25 per cent. This increase was significant at the 0.01 level over the corresponding proportion for 1992. Mention of the eighth item under conduct on behalf of the firm, "Relations with consumers", decreased from 33.3 per cent in 1992 to 15 per cent in 2012, a decrease significant at the 0.01 level. It should be noted that while mention of suppliers and customers has increased, mention of consumers has gone in the opposite direction. This may indicate that the firms whose codes were analyzed are more concerned with those purchasing their products rather than with those consuming their products. The frequency of mention of environmental affairs (Item 9) rose significantly (0.01 level) from 21.3 per cent in 1992 to 53.75 per cent in 2012, the latter proportion being significantly higher (0.01 level) than the 1992 frequency of mention. The increase in the proportion of codes mentioning environmental affairs reflects greater concern in society generally with the natural environment and the role of business in protecting and restoring it. There were also significant changes in the frequency of mention of "product safety" (0.01 level) and "product quality" (0.05 level) in the 1992 and 2012 data. The next item on which there was significant change over time is Item 13, "acceptance of bribes, kickbacks, gift/entertainment", moving from 82.7 per cent in 1992 to 95 per cent in 2012. However, no significant change was found for Item 14, "giving of bribes, kickbacks, gifts/entertainment", where frequency of mention was 66.7 per cent in 1992 and 77.5 per cent in 2012. It should be noted that in both years, the proportion of codes addressing the issue of acceptance of bribes was higher than the proportion mentioning the giving of bribes.

Conduct against the firm

This category of items in the content analysis consists of code content directly aimed at activities that could directly harm the firm (Table II). The average frequency of mention of the five items (Items 15-19) included in this category increased from 70.3 per cent in 1992 to 83.5 per cent in 2012 (significant at the 0.05 level). It is of interest that these averages, in both years, are significantly higher (0.01 level) than those for the category, "conduct on behalf of the firm", the clear implication being that the framers of the codes were more concerned with conduct that could harm the firm than with conduct that could enhance the integrity of it. Foremost among the items under "conduct against the firm" is conflict of interest. In both 1992 and 2012, the frequency of mention of this item was 95 per cent. This, across the years, is among the highest frequencies of mention of the 59 items covered in this analysis.

Significant differences were also observed for Item 18, "personal character matters", with the frequency of mention rising dramatically ($p \leq 0.01$) to 93.75 per cent in 2012 from 50.7 per cent in 1992. The proportion of codes mentioning "other conduct against the firm" rose from 52 per cent in 1992 to 85 per cent in 2012, a value significantly higher at the 0.01.

Integrity of books and records

This category of code contents was measured by Item 20 (Table III). Conveying to employees via the code of ethics the importance of accounting transparency and the use of accurate and complete information is critical for corporations seeking to establish or sustain an ethical corporate culture. This item was mentioned by 82.7 per cent of the codes in the 1992 analysis and by 77.5 per cent in 2012.

Basis of code

The content analysis sought to determine the legal and ethical authority of the codes. These are not mutually exclusive items, as codes could cite both legal and ethical bases: the regulative and normative determinants of the institutionalization of the codes.

The proportion of codes identifying legal responsibility as their underlying basis moved from 32 per cent in 1992 to 60 per cent in 2012, a significant increase ($p \leq 0.01$) over the two decades (Table IV). Similarly the proportion of codes citing ethical responsibility increased from 70.7 per cent in 1992 to 87.5 per cent in 2012, the latter proportion being significantly higher than the former, also at the 0.01 level.

Laws and agencies cited by codes

The proportion of codes citing specific laws increased from 12.9 per cent in 1992 to 35 per cent in 2012 ($p \leq 0.01$) (Table V). The most heavily cited law in both years was the Competition Act, but there was no significant movement over the years, with the proportion of codes mentioning this Act moving from 44 per cent in 1992 to 41.25 per cent in 2012. However, from 1992 to 2012, there was a significant ($p \leq 0.05$) increase in the proportion of codes mentioning securities laws. There was also a significant increase in the frequency of mention of environmental laws: only 9.3 per cent of the codes mentioned this item in 1992, but this figure rose to 48.75 per cent in 2012 ($p \leq 0.01$). This is a clear indication of growing concern in society with the health of the natural environment and the role of corporations in the preservation and restoration of it. On Item 28, worker health/safety, frequency of mention rose significantly ($p \leq 0.01$) from 9.3 per cent in 1992 to 53.75 per cent in 2012. Citing of laws relating to bribes or payments to governments or officials (Item 29) increased from 14.7 per cent in 1992 to 53.75 per cent in 2012($p \leq 0.01$).

Compliance

Compliance/enforcement procedures (Table VI) include "internal oversight (Items 34-40), "internal personal integrity" (Items 41-47) and "external" (Items 48-50). "Internal oversight" refers to individuals, groups and measures concerned with monitoring the behavior of employees to ensure compliance with the code of ethics. "Internal personal integrity" includes individuals, groups and measures concerned with answering questions and/or receiving reports of code violation. "External" compliance measures refer to individuals and agencies outside the organization involved in ensuring compliance with the code.

Supervisor surveillance, the first of the internal oversight items, was mentioned by 45.3 per cent of the codes analyzed in 1992 and 65 per cent in 2012 ($p \leq 0.05$). Item 35, "internal watchdog committee", received mention in 9.3 per cent of the codes in 1992 and 25 per cent in 2012 ($p \leq 0.05$). Internal personal integrity items include Items 41-47. A supervisor (Item 41) as someone to consult on ethical issues remained consistently high in frequency of mention, starting at just over 69 per cent in 1992 and ending at just below 69 per cent in 2012.

"Internal watchdog committee" (Item 42) rose in frequency of mention from no mention in 1992 to 20 per cent in 2012 ($p \leq 0.01$). This is reflection of the increased use of ethics committees by Canadian corporations (Singh, 2006a, 2006b). "Compliance affidavits" was mentioned by 34.7 per cent of the codes in 1992 and 27.5 per cent in 2012. Through these affidavits, employees signal their agreement to observe the provisions of the code. The proportion of codes mentioning "employee integrity", Item 46, rose from 44 per cent in 1992 to 91.25 per cent in 2012 ($p \leq 0.01$). The last of the internal personal integrity items, "senior management" role models, saw a dramatic increase in frequency of mention in 2012, rising to 40 per cent from 6.7 per cent in 1992 ($p \leq 0.01$). This implies that senior management as role models has been increasingly regarded as a group to consult when facing questions regarding code compliance. Items 48-50 represent external compliance measures: individuals and agencies outside the organization involved in ensuring compliance with the code. The frequency of mention of external auditors dropped from 13.3 per cent in 1992 to 7.25 per cent in 2012. The other two external compliance measures, "law enforcement" and "other", both received scant mention in the codes in 1992 but increased significantly in 2012 ($p \leq 0.01$).

If, despite the compliance measures described above, there is still non-compliance with the code, what are the consequences? These are shown in Table VII, Items 51-55 representing internal penalties and Items 56 and 57 external penalties. These penalties range from a simple reprimand to dismissal and legal prosecution. Among the internal penalties, there was little movement in the frequency of mention of items across the years. It is also of interest that the only internal penalty receiving a consistently high frequency of mention across the years, "dismissal/firing", was mentioned by 46.7 per cent of the codes in 1992 and 46.25 per cent in 2012. Legal prosecution was the most heavily cited external penalty, rising from 14.7 per cent to 20 per cent in 2012.

General information

Both items in this category were relatively heavily cited by the codes across the years, with the "need to maintain the corporation's good reputation" increasing from 50.7 per cent in 1992 to 88.75 per cent in 2012 ($p \leq 0.01$).

Emergent items

In addition to the a priori determined 59 items in the content analysis, significant emergent issues were identified. Those identified are diversity/human rights, harassment/bullying and confidentiality of private information. Eighty-two per cent of the codes mentioned diversity/human rights, a similar percentage mentioned confidentiality of private information and 73 per cent mention harassment/bullying (Table VIII).

Hypothesis testing

In addition to providing a general overview of the changes in the contents of the codes from 1992 to 2012, this study focused on three hypotheses related to institutionalization:

H1. Over time, corporate codes of ethics would become more prescriptive.

The average overall frequency of mention of the 59 items in the content analysis was 32 per cent in 1992 and 45 per cent in 2012. This increase was significant at the 0.05 level and, therefore, *H1* was supported:

H2. Over time, corporate codes of ethics would become more concerned with corporate social responsibility issues.

As shown in Table IX, the combined average of the two corporate social responsibility items increased significantly at the 0.01 level from1992 to 2012. Thus, *H2* was supported:

Item	1992 $n = 75$ (%)	2012 $n = 80$ (%)
58. Need to maintain corporation's good reputation	50.7	88.75**
59. Letter/Introductory remarks from the President/CEO/Chairperson of the Board	57.3	51.25
Average score	54	70*

Notes: $^{*}p \leq 0.05$; $^{**}p \leq 0.01$

Table VIII. General information

Item	1992 $n = 75$ (%)	2012 $n = 80$ (%)
Overall average	32	45*

Table IX. Overall average

H3. Over time, corporate codes will be more concerned with identifying their moral and legal authority.

As shown in Table IV, *H3* was supported, as the frequency of mention of the bases of the codes increased significantly($p \leq 0.01$) from 1992 to 2012. The increase was observed for both the legal and ethical bases of the codes.

Implications of findings

H1 was statistically supported. This implies that the codes of ethics of the largest Canadian corporations have become more prescriptive and suggests a desire to avoid uncertainty in addressing possible ethical dilemmas and convergence in what is addressed in the codes. Isomorphism is the term used by DiMaggio and Powell (1983) to describe this process of homogenization. They suggest that various forces drive isomorphic change, including coercion, mimicry and normative pressures. Coercion as a force for isomorphic change in corporate codes of ethics is illustrated by societal pressure exerted on a daily basis in the news. Mimicry results when some organizations, uncertain about how to respond to such pressure, simply copy other organizations. When the trendsetters are powerful corporations, as in the sample of the current study, that urge to mimic is magnified. Foster *et al.* (2010), in a study of the codes of Standard & Poor 500 firms together with the codes of 100 small firms, found average code commonality of 8.4 per cent in the large firms and 16.6 per cent in the small firms. They propose that isomorphic pressure is more strongly felt by smaller firms but yet substantial in large firms. While the current study did not investigate commonality in words used, it did examine issues covered and found a convergence of what is covered in the codes, a commonality of issues. Another powerful force for isomorphic corporate change is business education (AACSB, 2004), a normative force. Fligstein (1990) found that corporate executives are influenced by what they were taught in business schools. The commonalities among managers across organizations resulting from the role of business education in the professionalization of management are therefore influenced by what is taught in business schools and business ethics is now an integral part of the business curriculum.

H2, that over time corporate codes of ethics would become more concerned with corporate social responsibility issues, was also supported. The combined average of the frequency of mention of "civic and community affairs" and "environmental affairs" was taken as an indicator of concern with corporate social responsibility issues. The significantly increased averages from 1992 to 2012 ($p \leq 0.01$) may be viewed as a direct reaction to stakeholder demand for corporations to be more socially responsible and reflects coercive isomorphism engendered by expectations in society. The increase in concern with social responsibility likely has little to do with competitive strategy. As Campbell (2006, p. 926) argues:

> […] to some people, the idea of corporations acting in socially responsible ways would seem paradoxical. If the raison d'etre for corporations is to maximize profit and shareholder value as best they can, then it stands to reason that corporations will do whatever it takes to achieve this goal – perhaps even if that includes acting in socially irresponsible ways if they believe they can get away with it.

The increased concern in corporate codes of ethics with socially responsible issues is likely the outcome of coercive isomorphism engendered by expectations in society and articulated by institutions such as the press, churches and non-governmental organizations (Table X).

H3, that over time corporate codes will be more concerned with identifying their moral and legal authority, was supported. Ethical responsibility as the basis of codes reflects the normative pillar of institutions and was high in both sets of codes analyzed: 70.7 per cent in 1992 and 87.5 per cent in 2012 ($p \leq 0.01$). The other basis of the codes examined, legal responsibility, which reflects the regulative pillar of institutions rose significantly from 32 per cent in 1992 to 60 per cent in 2012 ($p \leq 0.01$). Identifying the bases of the codes is important for their acceptance by stakeholders. Moreover, the findings indicate that significantly more codes discuss both their legal and moral authority. Mathews (1988, p. 54) argues, "if the basis of the code is legal, it imitates the criminal law (law, criminal justice procedures, sanctions), but if it is ethical only, no legal apparatus, including sanctions, is called for (one doesn't 'enforce' the Golden Rule)". Frederick (1991) in an analysis of transnational corporate codes found that the moral authority of those codes derives from the competing principles of national sovereignty, social equity, market integrity and human rights. Similarly, codes in this study identifying ethical responsibility draw upon various societal, religious and philosophical sources for their moral authority. Identifying the basis of a code is important, as it identifies the mindset of its framers: a legal responsibility would imply a compliance orientation and ethical responsibility a values orientation.

Although reliant on different motivations for their acceptance, these bases are not mutually exclusive and in combination are potentially most effective (Stansbury and Barry, 2007).

Conclusion

This study makes a valuable contribution to research on business ethics by longitudinally analyzing the codes of ethics of the largest corporations in Canada over the past two decades. Codes of ethics are the foundation of ethics programs in corporations and their contents could be critical in the development of a culture of ethics in corporations. The need to track changes in corporate codes of ethics over time has been advocated by several researchers (Weaver, 1993). This study illustrates the value of repeatedly studying these instruments by proving them to be living documents that change in reaction to various institutional forces.

Item	1992 $n = 75$ (%)	2012 $n = 80$ (%)
Civic and community affairs	33.3	61.25**
Environmental affairs	21.3	53.75**
Average	27.3	57.5**

Notes: $^*p \leq 0.05$; $^{**}p \leq 0.01$

Table X. Corporate social responsibility

The population for this study was the largest 500 corporations in Canada by revenue. These corporations are also among the largest employers in Canada and constitute an organizational field. What happens in these corporations has an impact on the entire Canadian business community. Companies that do business with these large corporations and interact with their employees would be well-advised to study the changes in the corporate codes of ethics of these firms. Corporate codes of ethics and related measures that define the ethics programs of corporations are increasingly being institutionalized and have an impact on the culture of corporations, not only in Canada but globally. Employees of corporations with codes would also be well-advised to study these documents, which as shown in the findings are particularly geared at controlling conduct against the firm, i.e. actions of employees that may hurt the firm.

A code of ethics is a fundamental part of the ethical context of a corporation and various studies have shown a link between it and desirable job-related behaviors. For example, Valentine *et al.* (2006) found that ethical context is linked to the work-related responses, job satisfaction and turnover intention, through perceived organizational support. Schwepker (2001), in a study of salespeople, found a positive association between the perception of a positive ethical climate and job satisfaction and organizational commitment, leading to lower turnover intentions. Therefore, the creation of an ethical climate through a well-crafted and communicated code of ethics that is supported by other measures not only promotes ethical behavior (Baker *et al.*, 2006) but subsequently leads to valuable job-related outcomes.

While large corporations are critical in establishing new and innovative management practices, their selection as the population of this study limits the generalizabilty of the findings. Another limitation of this study is that it used an a priori determined set of items to analyze the contents of the codes and while this was needed to facilitate the comparison across time, it also meant that some important items were not clearly identified, e.g. the most cited laws in the 2012 codes were classified under "other laws", which obviously buries potentially rich data.

Future research on corporate codes of ethics should examine an expanded population that includes smaller organizations so as to facilitate an assessment of the depth of institutionalization. Moreover, efforts should be made to link particular aspects of the codes with their effectiveness. For example, Stansbury and Barry (2007) suggest that ethics programs that are both values- and compliance-based create high enabling control, thereby improving their potential to be effective. One item examined in the content analyses is the basis of the code as either ethical or legal responsibility. These may be taken as proxies, respectively, for values-based and compliance-based control, and correlated to measures of code effectiveness. Overall, this study compared the contents of the codes of ethics of Canada's largest corporations at two points, in 1992 and 2012, to assess the effect of institutional forces. It was found that the codes have undergone isomorphic and other changes that illustrate their institutionalization. These corporate social responsibility instruments originated because of institutional forces, and their evolution clearly illustrates the continuing influence of those forces. This conclusion is clearly reinforced by the emergent issues identified – diversity/human rights, harassment/bullying and confidentiality of private information.

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Corresponding author
Jang B. Singh can be contacted at: jang@uwindsor.ca