INVESTIGATING CODES OF ETHICS WITHIN THE LARGEST PRIVATE
SECTOR ORGANIZATIONS IN SWEDEN AND TURKEY

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ABSTRACT

The aim of the study was to examine the ways that private sector organizations in Sweden and Turkey communicated the intent of their codes of ethics to their employees. Primary data was obtained via a self-administered mail questionnaire distributed to a census of the top 500 private sector organizations in each country based on revenue. The study identified some interesting results that showed that the small group of companies in Turkey that have a code may be more advanced in ethics artefacts usage than Sweden. Such a conclusion is counterintuitive as one would have expected a developed nation like Sweden to be more advanced in these measures than a developing nation such as Turkey. The culture of one’s country may play a large role in the implementation of ethics artefacts in corporations and could be a major reason for this difference.

Keywords: Business Ethics, Turkey, Sweden, Codes of Ethics, Corporations

INVESTIGATING CODES OF ETHICS WITHIN THE LARGEST PRIVATE SECTOR ORGANIZATIONS IN SWEDEN AND TURKEY

Numerous writers have proposed the notion that a code of ethics should exist as a means of enhancing the ethical environment of an organization. The establishment of a code of ethics is seen as one of the initial indicators that a company is beginning to focus on ethical behavior. It is the artefact that announces to all an interest by an organization in business ethics (Adams Taschian and Shore 2001; Fraedrich 1992; Gellerman 1989; Harrington 1991; Laczniak and Murphy 1991; Rampersad 2003; Sims 1991; Somers 2001; Stoner 1989).

It has been suggested that organizations implement codes because they value them and perceive that they are important to the organization (Adams, Taschian and Shore 2001; Fraedrich 1992; Laczniak and Murphy 1991; Somers 2001; Wood, Svensson, Singh, Carasco, and Callaghan 2004; Wotruba, Chonko and Loe 2001). If organizations do have this view of their codes, then surely they should be committed to them. A code by itself is not enough to ensure that the employees of organizations will actually manifest ethical behaviour. This ideal requires more than just a code. This ideal requires supporting procedures in place to ensure that the ethos of the code is entrenched in all that the company does. The benefit of having a code can only be derived if the code of ethics is brought to life by an organization that genuinely wishes to pursue a better ethical culture (Anand, Ashforth and Joshi 2005; Davis 1988; Ferrell 2004; Townley 1992).
In the USA, codes of conduct were in evidence around 1900 (Wiley 1995). Companies such as JC Penney have a code that predates World War One (Adams, Taschian and Shore 2001). Since the early 1960s, there has been a range of codes of ethics in many US companies (Baumhart 1961; Benson 1989; De George 1987). In Britain, the development of codes occurred later in the last century, more as a response to the stock market crashes of the late 1980s than anything else (Donaldson and Davis 1990; Maclagan 1992; Mahoney 1990; Schelgelmilch 1989).

In Sweden, the first major study of codes of ethics was conducted in 2002 (Svensson, Wood and Callaghan 2004). This study was a part of a broader international study that has been conducted in Australia (3 times) Canada (twice) Sweden (twice) and now for the first time in Turkey. There have been a number of papers centred on corporate governance that have been recently published on Turkey. These include, but are not limited to, Ararat and Ugur (2003), Aksu and Kosedag (2006), Ugur and Ararat (2006), Orbay and Yurtoglu (2006). In Turkey, the use of codes of ethics by private sector organizations is still problematic as previous research appears not to have been conducted in this area prior to this study. This paper investigates the current emerging Turkish situation and compares it to the situation in Sweden.

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

WHY COMPARE TURKEY AND SWEDEN?
Turkey and Sweden are countries that are both located on the periphery geographically of the European Union (EU). Turkey is an emerging economy (Table 1) that aspires to become a full member of the European Union (Ugur and Ararat 2006). Sweden is a developed economy (Table 1) that is a member of the EU and trades heavily with the European Union. Like Turkey, Sweden realizes the importance of the European Union to its continued development and prosperity. Both countries have a commerce sector that historically has been heavily influenced by the national government and its investment strategies and policies (Ararat and Ugur 2003; Svensson, Wood and Callaghan 2004). Each country knows that it must be cognizant of developments in the European Union in order to fashion business systems that allow it to be an acceptable trading partner in future dealings with other members of the EU.
Table 1: Economic and Population Indicators

<table>
<thead>
<tr>
<th>Socio-Economic Indicator</th>
<th>Sweden</th>
<th>Turkey</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP (Purchasing Power Parity US$)</td>
<td>$285.1 billion</td>
<td>$627.2 million</td>
<td>$12,980 million</td>
</tr>
<tr>
<td>GDP Real Growth Rate</td>
<td>4.2% (2006 est.)</td>
<td>5.2% (2006 est.)</td>
<td>3.2% (2006 est.)</td>
</tr>
<tr>
<td>GDP/Capita (Purchasing Power Parity –US$)</td>
<td>$31,600</td>
<td>$8,900</td>
<td>$43,500</td>
</tr>
<tr>
<td>Inflation Rate</td>
<td>1.4% (2006 est.)</td>
<td>9.8% (2006 est.)</td>
<td>2.5% (Dec. 2006)</td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>9,016,596</td>
<td>70,413,958</td>
<td>298,444,215</td>
</tr>
<tr>
<td>(July 2006 est.)</td>
<td>(July 2006 est.)</td>
<td>(July 2006 est.)</td>
<td></td>
</tr>
<tr>
<td>Population Growth Rate</td>
<td>0.16% (2006 est.)</td>
<td>1.06% (2006 est.)</td>
<td>0.91% (2006 est.)</td>
</tr>
<tr>
<td>Life Expectancy</td>
<td>80.51 years</td>
<td>72.62 years</td>
<td>77.85 years</td>
</tr>
</tbody>
</table>


NB: USA used as a benchmark

For Sweden this is much easier to achieve as they are a developed and well respected nation and trading partner, whereas Turkey, as a developing nation, needs to overcome some long standing perceptions of its ability to be seen as a partner in meaningful, transparent business relationships. Turkey’s recent steps towards a more regulatory framework for corporate governance can only but assist Turkey in the eyes of the international business community (Ugur and Ararat 2006).

**METHODOLOGY AND RESPONSE RATES**

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

The aim of the questionnaire was also to obtain from the participants a copy of their code of ethics artefact, if they had one. These private sector organizations were asked to answer up to thirty questions about the methods used by their organizations to inculcate an ethical ethos into the daily operations of the organization, its leadership and its employees. The second stage involved content analyses of the codes of ethics artefacts supplied by the survey participants. The third stage involved
a more detailed follow-up of a smaller group of companies that appeared to be close to or to represent the best practice in respect to codes of ethics. Findings from Stage 1 of the research are reported in this article. The results will be presented in the remainder of this paper as: (Sweden: Turkey) in order that one can easily compare the responses.

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

COMMUNICATION OF THE CODE TO EMPLOYEES

For an organization to obtain the full effect from implementing a code of ethics that organization must communicate its value system and its document to the workplace (Benson 1989; Collier and Esteban 2007; Rampersad 2003; Schwartz 2002; Stead, Worrell and Stead 1990; Townley 1992; Trevino and Brown 2004; Wotruba, Chonko and Loe 2001).

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

COMMUNICATING THE CODE TO NEW STAFF

The major ways of communicating the code to new staff in Sweden and Turkey are through: the ‘induction program’ (60.6%:65.6%), ‘a booklet is issued’ (23.1%:31.3%) and ‘training and discussion’ (35.6%:9.4%). The use of training and discussion is a preferred option to just distributing a booklet containing the code. Training and discussion enables the staff to engage with the ethos of the code in an interactive and proactive manner. They can discuss the code with their peers and others and subsequently develop opinions grounded on their own experiences. The impact that the
organization wants the code to make upon the new employee may be lost if the attention required is not given at the time of induction. How is the employee meant to know that the code is important if it is not discussed or education given in its nuances?

**CONSEQUENCES FOR A BREACH OF THE CODE**

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

This concept is strongly followed in both Sweden and Turkey (82.1%:96.9%). The second part of this question asked the organizations to clarify the nature of the consequences for a breach. One gets a ‘verbal warning’ (84.4%:90.6%) and/or ‘cessation of employment’ (45.7%:87.5%), and/or a ‘formal reprimand’ (65.2%:43.8%) and/or ‘legal action’ (38.0%:46.9%) taken against employees. The Swedish companies seem to give more reprimands, yet terminate an employee’s employment far less than their Turkish counterparts.

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

**ETHICAL PERFORMANCE AS A CRITERION FOR EMPLOYEE APPRAISAL**

The view that organizations should formalize the ethical performance of employees through the employee appraisal system is supported by a range of academics (Fraedrich 1992; Harrington 1991; Laczniaik and Murphy 1991; Trevino and Brown 2004). In Sweden an employee’s ethical performance is assessed in only 44.2% of companies whilst in Turkey it is assessed in 87.5% of companies. It would appear that in Sweden that some organizations do want to be controlling of their employees by subjecting them to a level of scrutiny in this area, but many more do not, whereas in
Turkey there is a judgment made about one’s ethical performance as a part of the employee appraisal process.

**AN ETHICS OMBUDSMAN OR ITS EQUIVALENT**

In a situation of recognizing unethical practices and taking steps to expose them, the dilemma that many employees face, is in knowing to whom one can take an issue, so as to ensure its integrity; the integrity of the person against whom the complaint is made and usually, most importantly, for the person making the complaint, the guarantee of their own freedom from reprisals (Anand, Ashforth and Joshi 2005; Gellerman 1989; Labich 1992; Rampersad 2003; Stoner 1989).

This area of inquiry has a definite relationship with the issue of whistle blowing. If within an organization a company has a person designated as a confidante to whom staff can go with ethical concerns then, hopefully, it will foster employees to volunteer information about unethical practices that they perceive are detrimental to the organization. If the role of an ombudsman was set up with the specific purpose of protecting whistleblowers and resolving the concerns that they raise, then companies may not only have ethical guidelines, but they may be able to see the actual implementation of these guidelines come to fruition.

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

**FORMAL GUIDELINES FOR THE SUPPORT OF WHISTLE BLOWERS**

The researchers were interested in this area, because if organizations are going to expect ethical behaviour from their employees then whistle blowing (someone who reports wrongdoing by the organization) should be considered by the organization (Grace and Cohen 1998; Trevino and Brown 2004; Wood 2002). It should be considered, because if standards are to be set, one needs ways to ensure that violations or breaches can be reported, reviewed and corrected.

Both countries do have formal guidelines to support whistle blowing (43.8%:68.8%). The Swedish figure at face value appears to be a concern, however Swedish companies may see no reason to have such a formal set of guidelines because culturally they may not be perceived as being needed as
Swedish employees would just naturally report infractions of the company rules because it is the right social action to take (Svensson, Wood and Callaghan 2006). In Turkey, nearly one third of companies do not have this support in place for their staff. Employees should feel secure in the knowledge that they can report what they perceive as wrongdoing by their company or others within the company. To not have such safeguards in place for staff, leaves genuine individuals exposed and does not promote a confidence in them to report their concerns.

A STANDING ETHICS COMMITTEE OR ITS EQUIVALENT

If organizations in the new millennium in Sweden and Turkey are beginning to realize the need for ethical practices in their organizations, then an ethics committee should be an idea that organizations should contemplate and an area in which they should initiate action (Center for Business Ethics 1986; McDonald and Zepp 1989; Rampersad 2003; Weber 1981).

In Sweden, 31.9% of companies do have a standing ethics committee. If ethics is important, then surely companies should communicate this fact by having designated ethics committees that are seen by all. Not to have a committee, signals to the organization and other stakeholders that the public sector unit does not see ethics as an important enough area to warrant such attention. In Turkey though, 93.8% of companies do have an ethics committee. This is an incredibly high figure and it is markedly different from Sweden.

ETHICS EDUCATION

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

Just over 50% (52.2%) of Swedish companies have ethics education, which means that nearly half of the companies do not have ethics education. The inculcation of ethical values in an organization is not an easy process. Employees have to be given the opportunity to engage with the ethics document and to discuss, to examine and to question the values of the company that are placed before them. Each person approaches the organization with different values and perspectives on the world and what they may perceive as acceptable and unacceptable conduct. Education in ethics at the time of induction is not enough. At induction time, the employee is usually bombarded with many new ideas, philosophies, rules and regulations and as such they are often overwhelmed. Osmotic transfer of the
company’s ethical values does not just occur. Staff cannot be left to their own devices in this area (Wood 2002). Education needs to be ongoing as ethics and people’s perceptions of acceptable and unacceptable conduct evolve over time. This need for training seems to have been acknowledged highly in Turkey (84.4%). One wonders if the Swedish figures are indicative of a cultural belief that Swedes are naturally ethical, so perhaps there is a belief that they therefore do not need it, whereas in Turkey the reality is that the companies are delving into a new area of business practice and not to educate their workforce would be remiss on their behalf.

ETHICS EDUCATION COMMITTEE

Aligned with the need to have ethics education is also the need to have a designated ethics education committee or its equivalent set up to oversee such training and education. An ethics education committee would hopefully provide the focus and initiative to expose employees to discussion and education in business situations involving ethical dilemmas that they might face whilst in the company’s employ.

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

CONCLUSION

This comparative study between the largest private sector organizations in Sweden and Turkey has revealed some interesting results: results that need further investigation. The surprise to the researchers with these results is the apparent advanced developmental stage of the small group of Turkish companies that have codes and the not so well developed stage of development of Swedish companies who have codes. One would expect Sweden to be more advanced in the use of the measures put in place to advance the ethos of codes into their organizations than Turkey, as one is a developed nation and the other is a developing nation.

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

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

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

It does need to be acknowledged that those large private sector companies in Turkey, few in number though they may be, that have embraced a need for business ethics seem to have instituted the processes thoroughly, perhaps emulating the Anglo-Saxon model or the US based model of business. This adoption is understandable as the US is the area from which most business ethics publications come and is often a country towards which other countries look for guidance as to how to structure and improve their own business systems. As the US system is rule based and prescriptive, this approach may be more culturally acceptable to Turkish companies, as it is not too dissimilar to their own ways of conducting business.
REFERENCES


