

Corporate Codes of Conduct: The Effects of Code Content and Quality on Ethical Performance

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Objective

The objective of this study was to investigate the importance of the contents of a company's code of contact and their relationship to ethical performance.

Method

Researchers in this study first compiled benchmarking analyses by the Ethisphere Institute, which included 392 international companies from 15 industries and evaluated codes of conduct based on 8 categories of performance. They then compared these companies with companies on "best of" lists related to sustainability, corporate citizenship, ethical practices, and consumer perception. To include companies who were not on any of the four lists, they also analyzed companies that had both ethical ratings and code of conduct benchmarking in the 2008 Covalence Ethical Rankings. Lastly, the researchers compared each company's code of conduct grade with its ethical performance rating.

Key Findings

- Companies that were on one of the four 'best of' lists received significantly higher average grades for code of conduct
 - Companies that appeared on multiple lists had even higher average grades

- For companies that did not appear on any of the lists, there was still a consistent positive trend between the quality of the code of conduct and the company's ethical performance

Conclusion

The results of this study support the hypothesis that companies with higher quality codes of conduct have better ethical performance than companies with lower quality codes of conduct. Companies that are consistently recognized for their ethical performance by appearing on 'best of' lists are generally supported by high-quality codes of conduct.

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