Universidad de Navarra

Facultad de Ciencias Económicas y Empresariales

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Ethical Codes and Corporate Responsibility of the Most Admired Companies of the World: Towards a Third Generation Ethics?

Reyes Calderón
University of Navarra

Ignacio Ferrero
University of Navarra

Dulce Redin
University of Navarra

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ABSTRACT

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Research Findings/Insight: Our results show that the codes of ethics of the 2009 *Most Admired Companies of the World* resemble "codes of conduct" rather than strictly codes of ethics or "codes of corporate social responsibility". They are still governed by traditional norms related to immediate economic success, normative compliance, internal management and the pressing effects of their sector.
Theoretical/Academic Implications: This study provides empirical support for the idea that the philosophy of corporate social responsibility (CSR) is scarcely present in the codes of the most reputable companies.

Reyes Calderón
School of Economics and Business Administration
University of Navarra
rcalderon@unav.es

Ignacio Ferrero
School of Economics and Business Administration
University of Navarra
jiferrero@unav.es

Dulce Redin
School of Economics and Business Administration
University of Navarra
dredin@alumni.unav.es

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Authors

Reyes Calderón. Departamento de Empresa. Universidad de Navarra. rcalderon@unav.es

Ignacio Ferrero. Departamento de Empresa. Universidad de Navarra. jiferrero@unav.es

Dulce Redin. Departamento de Empresa. Universidad de Navarra. dredin@alumni.unav.es

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Keywords: Codes of Ethics, Corporate Social Responsibility, Corporate Governance, Third Generation Codes.

INTRODUCTION

Corporate codes increased significantly during the last decades of the 20th Century (Cowton and Thompson, 2000) prompted, to a great extent, by financial and business scandals (Stevens, 1994). Nowadays most of the biggest corporations in the world have a code, and the percentage is rising (Kaptein, 2011). This noticeable interest in codes has grown simultaneously with the attention for corporate social responsibility and sustainable business practices in big corporations (Waddock et al., 2002). In fact codes of ethics show corporate responsibility sensibility, or at least they are the most objectively verifiable elements of social responsibility (Béthoux et al., 2007).

Given the growing concern for social responsibility and for the relationship with the external stakeholders, which has become an undeniable social demand, it is reasonable to think that the codes of the most respectable and admired companies should reflect this trend in their content.

By definition, admiration indicates that corporate actions and behaviors are estimated as distinguished. This supposes credibility, a long-term good image and reputation (Fombrun and Shanley, 1990), and therefore the adherence to values and principles (Brickley et al., 2002; Waddock et al., 2002). Admiration comes from actions and not from codes, although these values are usually described on business codes (Bowie, 1990). Moreover, the content of the code constitute the basis for defining the indicators for measuring its effectiveness (Kaptein and Schwartz, 2008), and it also influences the ethical or unethical behavior in companies (Kaptein, 2011). Codes are usually regarded as the most important component of a corporate ethics program (Kaptein, 2011). They are good tools to state ethical principles (Berenbeim, 1987) and to communicate to its audience the importance the company gives to these principles as necessary conditions for doing business (Stohs and Brannick, 1999). Hence they constitute an essential tool to make the company ethical (Cooper, 1990) and an important step for corporate image (Valentine and Barnett, 2003).

In this article we examine the codes of ethics of the *Most Admired Companies of the World* ranked by Fortune in 2009, to analyze whether their thematic contents are focused on global, social and environmental aspects of corporate responsibility; that is, whether they exhibit a greater concern for the relations with external stakeholders, or by contrast they are still anchored exclusively on shareholders' interest and on that of internal stakeholders. As Kaptein (2004) shows, an important determining factor in the content of a code is the target group that the corporation has in mind: external and/or internal stakeholders.

The Fortune's ranking is constructed by asking business people to vote for the companies that they admire most in any sector of activity. Since this ranking has remained stable throughout the financial and productive crisis period —all the companies ranked in 2008 continued in 2009, and 90.2% maintained their position in 2010, including some U.S. financial companies such as *Goldman Sachs* or *American Express*—, the analysis of the content of their codes can offer valuable information about how to preserve reputation, and consequently admiration, even in times of crisis.

In their article, Stohl et al. (2009) distinguish among three generations of codes in relation to the process of globalization. The first generation focuses on the legal dimension of corporate behavior. It encourages being consistent with the law —addressing overall legal issues and international regulations—, while maximizing returns to the shareholders of the company (Stohl et al., 2009). The second generation of codes is more proactive and it concentrates on the issues related to internal stakeholders. More specifically, it focuses on how "the company must improve the lives of employees and their families through education, insurance, pensions, social security, freedom from harassment, etc., rather than simply keeping the workers from being hurt" (Stohl et al., 2009, p. 614). Finally, the third generation (3G) should “transcend the profit motive and the enhancement of stockholder positions and the protection of employees and should include a greater consideration of external global stakeholders” (Stohl et al., 2009, p. 618). Therefore, third generation ethics are grounded in responsibilities to the larger interconnected environment and the larger community in which companies operate (Stohl et al., 2009).

It is important to highlight that these three generations of codes should not be understood as being mutually exclusive or a zero sum game. It is rather illustrative to picture them as concentric circles so that each category contains previous ones. Hence, we think that it is reasonable to expect that the codes in our sample will show features of 3G codes, together with characteristics of the other two generations of codes. Namely, this paper attempts to answer the following research question: *Do the most admired companies of the world have codes settled on social, global and environmental aspects of corporate responsibility, paying attention to external stakeholders beyond shareholders and internal stakeholders?*

Our purpose is to analyze whether the codes of the most reputable companies have evolved in the same path as the public demand, which calls for more social responsibility, or rather they are still stuck on a regulatory and legal stage.

We proceed as follows. First, we briefly address the literature’s findings on the codes’ content and we relate them to the three different generations defined by Stohl et al. (2009). Then, we continue by presenting our sample, the data, and the methodology used for collecting and processing the information, followed by the presentation of our findings. We conclude by providing some final remarks and identifying those areas that call for further research.

EVOLUTION OF CODES OF ETHICS: A THEMATIC'S OVERVIEW

Business codes of ethics are written and formal documents which include a set of moral standards and corporate principles —rules of conduct or company philosophy concerning the responsibility to stakeholders and shareholders—, which help guide corporate behavior and employees' conduct (Kaptein and Schwartz, 2008).

Corporate codes have proliferated over the past two decades, with an initial prominence in the US (Adams et al., 2004). In their survey of U.S. large corporations included in *Fortune 1000* in the mid-1990s, Weaver et al. (1999) find that 78% of companies have an ethical code. Kaptein (2004) obtains that 58% of the world's largest 100 companies have such a document in place. The percentage decreases in the United Kingdom (57%), Germany (53%), France (30%) and other European countries (Schwartz, 2002). In general, countries with a Continental tradition have developed codes later than those from an Anglo-Saxon tradition. Yet, a high proportion of large European corporations are developing some sort of ethical code and the flow also continues in Asian countries (Calderón et al., 2009), sometimes prompted by their stakeholders and other times due to legal requirements (Waddock et al., 2002).

With respect to the history of corporate codes, we can distinguish three phases according to the prevalence of shareholders, internal stakeholders and external stakeholders.

The first phase or generation focuses on the protection of individuals from organizational wrongdoing by virtue of the corporate legal compliance and the non-violation of the legal context. The strict fulfillment of the law and rules constitutes an important issue for corporations for two reasons: (i) the non-fulfillment may result in direct economic losses and incurring expensive penalties; and (ii) the corporate image may also be damaged causing important costs in the long-term. This double-pronged concern has been translated to codification.

By examining the literature in those terms, it seems evident that codes from the 80's and 90's should be categorized as being of the first generation. Benson and Ross (1998) argue that the largest corporate codes of the 1980s are mainly legalistic or regulatory, although this vision can actually be extended to the next decade. In the U.S., codes have been the needed answer to legislative and regulatory development. Many of these codes were strongly concerned with self-protection after the Watergate Scandal and the proclamation of the Foreign Corrupt Practices Act in 1977, and so it is not surprising that they also increased largely with the Enron scandal and the proclamation of the Sarbanes-Oxley Act in 2002.

Cressey and Moore (1983) in their survey of 119 U.S. corporation codes examine policy area, authority and compliance and they criticize the lack of attention to social responsibilities and the excessive emphasis on a regulatory focus. The authors find that, with respect to policy area, the priority is minimizing conduct against the firm instead of actions directly affecting the public. Studies from that time show unanimously that conflicts of interest are a common theme (White and Montgomery, 1980; Chatov, 1980; Sanderson and Varner, 1984; Arthur, 1984; Stevens, 1994). Lefebvre and Singh (1992) in their questionnaire-based study in *The Financial Post's Top 500 Canadian Corporations*, find that issues included in the category "Behavior against the Firm" are more frequently and extensively addressed than issues related to conduct on behalf of the companies. As Farrell et al. (2002) point out, in most cases codes tend to follow a criminal law structure, focusing on rule-based statement, while values are absent.

In their analysis of European corporations, Langlois and Schlegelmilch (1990) emphasize that codes tend to have the word "conduct" in their name and content rather than "ethics". Studying the codes of large Spanish corporations listed in Madrid Stock Markets, Rodríguez-Domínguez et al. (2009) find that their nature is mainly prescriptive and their main concerns have to do with the adherence to the law.

The second stage or generation of codes extends the focus towards the relationship with internal and direct stakeholders. Predominantly it looks at behavior of groups directly associated with the corporation, especially employees. Even though the relationships with the law and the government still persist, these codes remind us that the corporation presents a moral responsibility with stakeholders; individuals who have been impacted by corporate decisions (Cressey and Moore, 1983).

In this context, the literature underlines the prominence of the insiders, especially employees. Weaver (1993) affirms that employee rights receive more attention than issues regarding the company relations with other parties or the society. This is in line with the analysis of Bétoux et al. (2007) that find that employees constitute the main target, both as assurers of the implementation of the code and as protectors of the assets of the company (Benson and Ross, 1998; Lefebvre and Singh, 1992; Stevens, 1994; Preuss, 2010). However, regional and cultural factors must again be considered. For instance, Langlois and Schlegelmilch (1990) find differences between the European and American codes in relation to employees. European companies emphasize employee responsiveness to company activities, while U.S. firms stress company responsiveness to employee requirements of fairness and equality.

The third generation of codes is triggered by globalization. This generation "establishes standards of ethical performance in relation to global stakeholders and the larger world community, transcending traditional organizational boundaries and the limited view that ethical and legal are synonymous" (Stohl et al., 2009, p. 617). In this recent complex context, writing a code also offers a possibility to show a coherent moral image. When operating in very different countries and facing new cross-cultural ethical challenges, international corporations must look for systems that permit transcending differences and transmitting a well-founded core of principles and behavioral standards (Banai and Sama, 2000) shared by corporations and individuals (Lugli et al., 2009; Helin and Sandström, 2008).

Preuss (2010), after analyzing the codes of FTSE100 companies, points out that large corporations cannot help accepting a greater responsibility for a range of ethical, social and environmental issues. However, Stohl et al. (2009, p. 619) expose an intriguing regional difference: “nearly 88% of European companies have third generation thinking present in their codes, and, on average, 13% of sections within their codes reflect the third generation ideas, whereas in the US, only 75% of companies have third generation thinking embedded in their codes”.

RESEARCH METHODOLOGY AND RESULTS

The sample

Our sample is the 50 *World’s Most Admired Companies* ranked by *Fortune* (2009). Companies were selected on the basis of nine key attributes of reputation, such as innovation, people management, use of corporate assets, quality of management, financial soundness, long-term investment, quality of product and global competitiveness (solamente citamos 8???). The sample is presented in Table 1. After the name of the company, the second column details its position in the 2009 ranking. The figure in brackets corresponds to the position on the 2010 ranking based on preliminary data. As it can be seen, only 10% of the companies disappear in the 2010 ranking and two of them lose more than ten places. The third column indicates those areas where the company is far away from the leader in its sector, occupying a fifth position or beyond. The number in parentheses indicates the actual position. For example, Southwest Airlines received the grade GC (11) indicating that it is ranked number eleven in its sector for Global Competitiveness. A score of

"Excellent", which appears in four companies, is obtained when the company is ranked the first in its sector. The fourth column indicates the distance in percent from the score of leader of the correspondent sector, the rate is negative if the corporation is below the leader. The following three columns show the position in 2009 in *Fortune 1000*, in the case of U.S. companies and in *Fortune 100 Best Place to Work* and the *Global 500* annual ranking.

In relation with the origin, some authors (Thorne and Saunders, 2002; Kaptein and Wempe, 1998; Helin and Sandstöm, 2008) emphasize the importance of national identity. In our sample, most companies with a code are headquartered in the U.S. (82%), while 12% are located in Asia and 6% are European companies (see Table 2). The overwhelming majority of U.S. companies ask for caution in the generalization of the conclusions from a regional analysis. The sample used in the study is not meant to be representative of the overall population; rather, it has been carefully chosen to provide us with a picture of the most admired corporations. Our aim is not to gather information on a random sample in order to make inferences about a larger population, but rather to carefully describe a relevant set of firms selected for a particular characteristic: the most admired companies. This is in line with the work of other authors in the literature such as Weaver et al. (1999) and Hassink et al. (2007).

The sample covers a wide range of sectors: new technologies, banking and financial services, motor, pharmaceutical and cosmetics, general merchandising, etc. (see Table 2). New tech companies are the most prominent (24%), followed by banks, financial and infotech service-providers and insurance corporations (17%), and general merchandisers and specialty retailers (13%). Again, the size of the sample asks for caution in the conclusions related to sector criteria.

To construct the sample we downloaded the codes of ethics from the corporate websites of the selected companies. In every case we chose the English version, as it is currently the dominant language of the Internet and in business activity worldwide. In general, these websites provide sufficient information about CSR activities, annual reports and other documents. In fact, Internet acts as one of the most important disseminators of corporate information and also as a mirror of the company. However, we think that given that the codes try to set out general principles to which the company intends to adhere —what it sees as its core assets (Béthoux et al., 2007)—, they should include the existing awareness on social responsibility.

Methodology

After collecting the codes from the corporate websites, four companies listed in the *Fortune*'s 2009 ranking fell out of the sample since they had not developed a code that was accessible online.

Considering the remaining 46 codes, in order to analyze them under the three generations scheme proposed by Stohl et al. (2009), we classified their content according to five basic dimensions: ethics and corporate culture, regulation and compliance, stakeholders and internal organization, community and implementation.

To justify the choice of these five categories, it is illustrative to review the criteria adopted in other research articles. For the last decades, literature has basically followed variations of the methodology described in the seminal work by Cressey and Moore (1983), who classify the contents of codes of ethics within the following three subjects: policy area —conduct against and behalf of the firm, and book and records' integrity—, authority —principles morally needed for ethical legitimization— and compliance procedures. For instance, Mathews (1987) describes ten major areas: (i, ii) conduct on behalf of and against the organization, (iii) integrity of books and records, (iv) basis of the code, (v, vi) specific and American legal adherence, (vii, viii) enforcement practices and procedures, (ix) penalties and (x) reputation references. Lefebvre and Singh (1992), which is taken as a base in Wood (2000), catalogue four main groups: general information —which includes (x)—, types of conduct addressed —which contains from (i) to (vi)—, enforcement/compliance procedures —which coincides with (vii) plus (viii)—, and penalties —which corresponds with (ix). Furthermore, Kaptein (2004) classifies contents according to: stakeholder responsibilities, stakeholder principles, corporate values, internal employees conduct and implementation. Hence, the choice of the five categories listed above seems suitable for the purpose of our study and it is aligned with the literature on codes of ethics.

In order to construct our dataset we measure the importance of each of the five categories by the amount of space —fraction over the total— devoted to each item. This is done by contrasting the number of text lines dedicated to a given category with the total number of text lines of the whole code, to obtain the corresponding percentage. These percentages, summarized in Figure 1, will allow us to categorize the codes of the most admired companies ranked by *Fortune* as belonging to the first, second or third generation of codes.

Results

According to our data, 46 corporations (92%) have developed a code of ethics that is accessible through their webpage, and four —two from U.S. and two from Asia— have not. This is a significant proportion in relation to Kaptein (2004), who finds that 58% of the 100 largest corporations in the world have a code. However, business codes are more prevalent among U.S. companies, for which this percentage increases to 71%. This is in consonance with Weaver et al. (1999). It is important to acknowledge that the lack of a code on the corporate website does not imply its inexistence, but it is a significant signal of its relevance for the company.

Considering the 46 codes of ethics in our sample, we analyzed and classified their content according the five categories that have already been mentioned:

(1) Ethics and corporate culture

This category includes the values and principles of the company, and even some universal moral standards —trustworthiness, respect, responsibility, fairness, caring and citizenship (Schwartz, 2002)— that guide the relationships with stakeholders (Kaptein and Wempe, 2002). Kaptein (2004) lists as being the most frequent: transparency, honesty and fairness. Nevertheless, we are not as interested in the principles themselves but in the importance —deficit or surplus— that these principles have in the codes of these companies. Nevertheless, culture and core values can be very important in building a reputation, and even in restoring the lost reputation (Rhee and Valdez, 2009).

Our data shows that these values are not mentioned too frequently; only 6.17% of the content is devoted to ethics and corporate culture. The proportion is relatively small for American corporations (6.01%) in comparison to Asian (6.67%) and European companies (7.15%) (see Table 3). By sectors, industrial and farm equipment is the industry that exhibits greater concern for ethics and corporate culture (13.09%), followed by hotels and entertainment (8.84%), and contrasting with pharmaceutical and cosmetics that devote the least attention to these issues (0.90%) (see Figure 3).

Liker (2004) shows that *Toyota*'s reputation is built through a multidimensional model in which organizational culture is prominent. However, in our data its organizational culture captures only 3.03% of the total of its code ethics. In the motor sector *Honda* doubles this value by large (7.07%). As Rhee and Valdez (2009) argue, *Toyota* combats vulnerability more through the compliance with the standards of quality of products rather than through a call on its institutional prestige.

(2) Regulation and compliance

This category comprises aspects related to public administrations and regulators. The goal of this type of content is to protect individuals from organizational wrongdoing by virtue of the corporate legal compliance and the non-violation of the legal context. As it has already been exposed, this normative dimension has been highlighted by most of the studies from the early literature (White and Montgomery, 1980; Chatov, 1980; Sanderson and Varener, 1984; Matthews, 1987). The outstanding space dedicated to the adherence to the law and regulation will show the weight of the first generation component in the codes.

Lefebvre and Singh (1992) find legal responsibility is a “non discussed” content in 68% of cases, “discussed” in 29.3% and “discussed in detail” in 2.7%. Nevertheless 12% of the codes make emphatic references to competition/antitrust law. Moreover, insider trading information is emphasized in 44% of the cases. Kaptein (2004) finds that the degree in which observing, both directly and indirectly, all relevant local law and regulations is mentioned in 57% of the codes. Preuss (2010) finds that 100% of codes of ethics and 92% of codes of conducts mention compliance with legislation. In our study 100% of the codes mention it. We include in this section conducts that can violate law and regulations: divulgation of secret/trade information, corruption and bribery, money laundering, integrity of books and records, accountability and auditing, fraud, insider trader information, legal international trade framework, and conducts in relation with political activities of employees and managers. Our data show that, in 2009, codes of ethics still have a strong regulatory base (19.99%). However, a notable divergence across sectors must be highlighted: pharmaceutical and cosmetics (30.13%), transportation and delivery (24.65%), and new technologies (22.60%) show the greatest concern for regulation and compliance as opposed to energy (9.72%) which shows the smallest rate.

Taking into account the frequent attention devoted to regulation and compliance in the codes of the most admired corporations it is possible to state that they still exhibit a strong first generation component (see Figure 1) as two out of each ten lines refers to this issue (see Table 3).

(3) Stakeholders and Internal Organization

This section contains standards and norms of conduct for employees —including health and safety—, besides references to shareholders, clients, suppliers and competitors.

We observe in our data that codes show a strong focus on organizational internal rules (32.84% of the content) while the relationships with stakeholders in general receives relatively little attention (19.32%) (see Figure 1). In fact, internal organization —which includes drugs, harassment, racial and sexual discrimination, use of assets, confidential information, gifts and external works— is the topic that covers the largest share of the codes' content. On the contrary, there is a poor treatment of the direct stakeholders. As in the cited literature, employees are those who receive the highest interest (7.47%) followed by clients (4.38%), competitors (3.15%), suppliers (2.80), and shareholders (1.53%) are the ones who receive the least consideration (see Table 4).

It is important to note that most of the text devoted to stakeholders is indirectly aimed at the employees, indicating them, more or less explicitly, how to behave with the others stakeholders. Béthoux et al. (2007) indicate that workers are considered as those potentially guilty of infringing the code and as the first line of monitors of its effectiveness. This attention serves a dual purpose: to ensure good working conditions and respect for basic rights of employees —this point is captured by the caption "Employees"—, and also to recommend, or more frequently to demand, criteria and behaviors aligned with the code —what is collected under the heading of "Internal Organization". In fact, the space that both concepts receive in the codes on average is 40.31% of which 32.84% is attributed to "Internal Organization". Therefore, it seems clear that the codes exhibit a strong normative perspective. Indeed one of the essential purposes of these documents is to ratify the legal compliance standards and provide additional internal criteria. In this sense, it is possible to affirm that the codes of the most admired corporations continue to have a strong second generation character. Four out of each ten lines refer to the employee's behavior both as an independent individual and as a part of the organization (see Figure 1).

(4) Community

This category garners social and environmental issues and the corporate relationship with the society and the international community. This field corresponds to what Stohl et al. (2009, p. 607) call the "larger interconnected environment" and it is a distinctive feature of the third generation of codes of ethics.

The conduct on behalf of the firm in relation with the world community has traditionally been low. Kaptein (2004) finds that there is high degree of references to natural environment (56%) and community affairs (36%) —charitable donations, educational and cultural contributions and employee participation in community and civil affairs. Lefebvre and Sing (1992) point out that "civic and community affairs" and "environmental affairs" are emphasized in 9.3% of the codes of ethics and in 6.7% of the codes of conduct. With the examples of *Nestlé* and *Shell*, Béthoux et al. (2007) conclude that environmental protection is closed around the corporation's self-interest in preventing the basis of its own activity.

It is noteworthy the low attention paid in our sample to the social dimension of corporate responsibility: the relationship of the company with the society and the environment. The space devoted to these issues in general reaches 4.16% of the whole code. Strictly speaking, the concern for the relations with the society is even lower than what our numbers suggest (2.18%) since they include references to corporate performance criteria in terms of contributions to political parties and electoral campaigns. This weak concern for the community proves that the priority of the codes of ethics is basically the internal issues of the company, and when it comes to external relationships, corporations care more for the economic impact rather than for the environmental impact, direct or indirect.

The exception is found in the motor sector, in which companies dedicate 16.83% of the content of their codes of ethics to the community. However these results should be interpreted with caution since this sector is composed mainly by Asian companies, which exhibit great concern for community issues —*Toyota Motor* (26.67%) and *Honda* (19.35%). In the case of Asian corporations the fraction of codes devoted to community matters is 17.35% whereas for European companies it is 6.36% and only 2.64% for US corporations. (see Figure 2).

(5) Implementation

This category addresses criteria for the implementation of the codes of conduct, which has been described as a sign of the code's quality (Preuss, 2010). Thorne and Saunders (2002) and Langlois and Schlegelmilch (1990) recognize that even if the content of the code is not in conflict with basic values, the implementation process is not universal. Helin and Sandström (2008) consider that it is a major concern the challenge of setting a code, which could be applied to worldwide subsidiaries with managers responsive to the norms in the local context, so that the business can function efficiently.

Kaptein (2004) finds that a quarter of the codes make reference to implementation and 52% indicate that compliance with the code is monitored. Béthoux et al. (2007) find that implementation is an important topic in codes occupying 10.11% of the content. In our results, implementation mechanisms reach an average of 17.52% of the total extension of the codes and it is the third most important content overall (see Figure 1).

DISCUSSION/ CONCLUSIONS

After *Enron* it seemed that values came back into fashion, yet certain business conducts that are at the heart of the present financial crisis still show a flagrant disregard for ethics and corporate social responsibility.

Nevertheless, *Fortune*'s annual ranking of the world's most admired companies remains quite steady. The admiration of these companies is grounded mainly in values; and so corporate values are expected to be outlined in institutional documents, especially in codes of ethics.

From this perspective, the goal of this work has been to review the content of the codes of these admired companies to find out if they exhibit a deliberate sensibility for corporate social responsibility and for the external stakeholders, considered by Stohl et al. (2009) to be characteristic of the most evolved codes of ethics, those defined as "3G codes", codes of the third generation. Therefore, our research question was *"Do the most admired companies of the world have codes settled on social, global and environmental aspects of corporate responsibility, paying attention to external stakeholders beyond shareholders and internal stakeholders?"*

After reviewing all these codes and following the methodology described above, the answer to this research question is negative.

In contrast to what might be expected, the world's most reputable corporations still place a strong emphasis in aspects related to the so-called "first ethical generation of codes". Our analysis shows that about 20% of the content is devoted to regulation and compliance issues. Together with this proportion, almost 18% of the extension of the codes is about implementation and channels of communication, formation and accountability. An effective implementation is a guarantee of the quality and success of codes, helping to build credibility and inspiring confidence, and, therefore contributing largely to its efficiency. Nevertheless it is also a symptom of the growing role of codes as management tools. These percentages are smaller in the samples of literature from the 80s and 90s. Therefore, it seems to be a fairly recent development.

Kaptein and Schwartz (2008) and (Bétoux et al., 2007) remind us that codes of ethics are more and more orientated to favor the best control of the organization. For this reason, they consider the normative and control aspects as the most important ones. The mentioned instrumental functionality is quite coherent with the ample treatment given to regulatory areas and legal compliance, and it reinforces the link with the first ethical generation of codes.

The components of the "second generation" also enjoy a heavy representation. Although the majority of the direct stakeholders do not capture much detailed attention, the employees quite notably do receive such dedication. If this treatment is added to the internal organizational rules —almost entirely devoted to the employees—, it becomes evident that this group is clearly the priority focus in the studied codes (40.31%).

The content devoted to the employees refers more to internal rules of behavior (32.84%) rather than to safeguard their rights and welfare (7.47%). Once again, this strengthens the use of the codes as tools to reaffirm the control and the hierarchy of the firm (Bétoux et al., 2007), as well as to produce a mechanism of self-protection against the workers (Stevens, 1994). These results, along with the percentage of text dedicated to legal compliance, lead us to an unexpected conclusion: these codes have a markedly normative and regulatory orientation, closely associated with the first generation rather than with the second. This orientation is focused, albeit implicitly, on achieving the optimal economic output, which is associated with "first generation codes".

With regard to aspects related to global, social and environmental responsibilities the findings do not allow us to infer a significant evolution towards a greater concern for the growing social demand. Corporate codes of ethics are not concerned with ethical values and principles of corporate culture (6.71%) and neither with social and environmental issues (4.16%), for which there is a definite lack of interest (see Figure 1). Therefore they do not come close to the ethics contemplated in the "third generation codes".

Although it would be interesting to ascertain in what measure regional and sector tendencies influence these trends, the size and level of concentration on US corporations of the chosen sample do not allow making generalizations from the conclusions relating to these aspects. Yet we can speculate, albeit timidly, on the differences resulting from the regional or national origins of the companies. In particular, it seems that Asian corporations pay a greater attention to matters concerning social and environmental aspects in comparison to American and European, whilst those issues concerning implementation are notably less important. In fact, questions related to the corporate relations with the society reach an average of 9.58% of the extension of the codes —in contrast with the 1.43% for American companies and the 1.95% for European corporations—, and it is the third most important content overall for Asian firms. Analogously, the concern for the environment captures an average of 7.77% of the extension of the codes —in contrast with the 1.10% for American companies and the 4.59% for European corporations— and it constitutes the fifth most important content overall for Asian corporations. Also it is remarkable the little importance that Asian firms devote to implementation mechanisms which only accounts for 4.24% of the extension of the codes —very different from the 18.63% for American companies and the 20.21% for European firms— (see Figure 2). These aspects could be related to the different social pressures perceived by each business according to its origin and manner of facing globalization.

When it comes to draw industry-based conclusions, again it is important to acknowledge that, due to the small dimension of our sample, none of the industries involved had a significant volume of companies. Despite this drawback, it is interesting to point out the fact that financial consulting and insurance companies seem to be relatively less concerned for the impact they have on the community than other companies. For financial, consulting, and insurance companies, community accounts for only 1.94% of the extension of their codes (see Figure 3).

In sum, the codes of the 50 (46) most admired companies of the world seem to be closer to “codes of conduct” rather than to “codes of ethics” or “codes of CSR”. Normative and control orientation are dominant, attempts to encourage reflection and ethical growth in the organization are weak, and the concern for social responsibility is very low. These codes of ethics resemble “first generation” codes rather than “second”. In this sense, contrary to its public acceptance, the philosophy of corporate social responsibility is scarcely present in the codes of the most reputable companies, which are still governed by traditional rules related to immediate economic success, normative compliance and internal management.

A rigorous search for empirical evidence in this matter would certainly be of interest, requiring a continuous examination through time of the evolutionary process of codes according to the “longitudinal” method of Kaptein and Schwartz (2008). It cannot be forgotten that an essential dimension of a code’s quality in terms of ethics and social responsibility —its evolution to the “third generation”— lies in the form in which it is created and implemented, in its transparency and credibility, in the degree of stakeholders participation —the more intense and extensive, the greater the company’s commitment to the CSR— and in the subsequent consensus in its acceptance. The comprehension of these aspects, which entail technical procedures very different from the analysis of the contents, does not lessen importance to this analysis: the content of the code is always a reflection of what companies hold desirable and, therefore, it constitutes an irreplaceable element to evaluate its quality and effectiveness. This defines the moral compass that must be used to measure reality.

TABLE 1

Company	Fortune 50	Distance from industry leader (industry rank) *	Distance from over next competitor %	Fortune 1000	Fortune 100 best place to work	Global 500
Apple	1 (1)	SR(5) GC(5)	-2,88	71	…	…
Berkshire Hathaway	2 (3)	EXCELLENT	16,58	13	…	41
Toyota Motor	3 (7)	…	-0,04	…	…	10
Google	4 (2)	…	9,44	117	4	…
Johnson & Johnson	5 (4)	IN(7)	3,42	29	…	…
Procter & Gamble	6 (6)	UCA(5)	7,41	20	…	68
FedEx	7 (13)	…	2,30	59	90	…
Southwest Airlines	8 (12)	GC(11) LTI(5)	-10,64	246	…	…
General Electric	9 (16)	…	4,30	5	…	12
Microsoft	10 (11)	QP(8) IN(7) UCA(7) LTIN(6)QM(5)		35	38	…
Wal-Mart Stores	11 (9)	QP(5)	5,35	2	…	3
Coca-Cola	12 (10)	…	-8,80	73	…	…
Walt Disney	13 (19)	EXCELLENT	15,12	60	…	…
Wells Fargo	14 (39)	GC(14)PM(5)	-4,63	41	…	…
Goldman Sachs Group	15 (8)	…	7,15	40	9	…
McDonald's	16 (14)	QP(5)	10,88	107	…	…
IBM	17 (15)	…	1,19	14	…	45
3M	18(17)	QM(7) LTI(5)	2,00	95	…	…
Target	19 (23)	…	-5,35	28	…	…
J.P. Morgan	20 (18)	QP(5)	-2,39	16	…	49
PepsiCo	21 (25)	…	-7,55	52	…	…
Costco Wholesale	22 (21)	…	4,33	24	…	88
Nike	23 (24)	…	6,86	136	…	…
Nordstrom	24 (30)	GC(5)	-10,97	301	…	…
Exxon Mobil	25 (28)	SP(6)	2,18	1	…	2
Bank of America Corp.	26 (--)	GC(10)	2,39	11	…	37
United Parcel Service	27 (33)	…	-2,24	43	…	…
BMW	28 (22)	…	3,85	…	…	78
American Express	29 (29)	…	-2,72	74	73	…
Hewlett-Packard	30 (32)	…	-3,3	9	…	32
Cisco Systems	31 (20)	…	4,36	57	6	…
Honda	32 (36)	…	-7,85	…	…	51
Singapore airlines	33 (27)	SR(6) QM(5)	-11,15	…	…	…
Starbucks	34 (26)	LTI(5)	-10,88	261	24	…
Caterpillar	35 (35)	…	2,89	44	…	…
Intel	36 (31)	…	5,42	61	…	…
Marriott International	37 (48)	EXCELLENT	13,86	208	78	…
Nestlé	38 (34)	EXCELLENT	7,55	…	…	48
Sony	39 (38)	UCA(7) SP (7) FS (7) LTI(5) QP(5)	-15,32	…	…	…
Boeing	40 (--)	FS(6) LTU (6) QM(5)	-8,63	34	…	…
Deere	41 (43)	…	-2,89	87	…	…
Nokia	42 (41)	…	-5,43	…	…	85
Northwestern Mutual	43 (--)	GC(12) INN(6)	-0,89	118	…	…
Best Buy	44 (37)	GC(6)	-4,19	56	…	…
General Mills	45 (47)	GC(6)	-14,72	193	99	…
Toyota Industries	47 (--)	…	3,22	…	…	…
Lowe's	48 (46)	SP (6) GC(8)	-11,99	47	…	…
AT&T	48 (45)	…	2,55	8	…	29
Accenture	49 (--)	PM(10) UCA(10)	-1,19	…	97	…
Samsung electronics	50 (42)	(14) QM (9) FS(6) LTI(11) QP(8) GC	-20,96	…	…	40

* INN (Innovation) PM (People management) UCA (Use of Corporate Assets) SR(Social Responsibility) QM (Magament quality)

TABLE 2

Company	Rank 2009	Rank 2010	Origin	Industry
Apple	1	1	USA	New Technologies
Berkshire Hathaway	2	3	USA	Banks, Financial services, Infotech services & Insurance
Toyota Motor	3	7	Asia	Motor
Google	4	2	USA	New Technologies
Johnson & Johnson	5	4	USA	Pharmaceutical & Cosmetics
Procter & Gamble	6	6	USA	Pharmaceutical & Cosmetics
FedEx	7	13	USA	Transportation & Delivery
Southwest Airlines	8	12	USA	Transportation & Delivery
General Electric	9	16	USA	New Technologies
Microsoft	10	11	USA	New Technologies
Wal-Mart Stores	11	9	USA	General Merchandisers & Specialty Retailers
Coca-Cola	12	10	USA	Food, Beverages & Consumer goods
Walt Disney	13	19	USA	Hotels & Entertainment
Wells Fargo	14	39	USA	Banks, Financial services, Infotech services & Insurance
Goldman Sachs Group	15	8	USA	Banks, Financial services, Infotech services & Insurance
McDonald's	16	14	USA	Food, Beverages & Consumer goods
IBM	17	15	USA	Banks, Financial services, Infotech services & Insurance
Target	18	22*	USA	General Merchandisers & Specialty Retailers
J.P. Morgan	19	18	USA	Banks, Financial services, Infotech services & Insurance
PepsiCo	20	25	USA	Food, Beverages & Consumer goods
Costco Wholesale	21	21	USA	General Merchandisers & Specialty Retailers
Nike	22	24	USA	Food, Beverages & Consumer goods
Nordstrom	23	30	USA	General Merchandisers & Specialty Retailers
Exxon Mobil	24	28	USA	Energy
Bank of America Corp.	25	-	USA	Banks, Financial services, Infotech services & Insurance
United Parcel Service	26	-	USA	Transportation & Delivery
BMW	27	22*	Europe	Motor
American Express	28	29	USA	Banks, Financial services, Infotech services & Insurance
Hewlett-Packard	29	32	USA	New Technologies
Cisco Systems	30	20	USA	New Technologies
Honda	31	36	Asia	Motor
Starbucks	32	26	USA	Food, Beverages & Consumer goods
Caterpillar	33	35	USA	Industrial & Farm Equipment
Intel	34	31	USA	New Technologies
Marriott International	35	48	USA	Hotels & Entertainment
Nestlé	36	34	Europe	Food, Beverages & Consumer goods
Sony	37	38	Asia	New Technologies
Boeing	38	-	USA	Industrial & Farm Equipment
Deere	39	43	USA	Industrial & Farm Equipment
Nokia	40	41	Europe	New Technologies
Best Buy	41	37	USA	General Merchandisers & Specialty Retailers
General Mills	42	47	USA	Food, Beverages & Consumer goods
Lowe's	43	46	USA	General Merchandisers & Specialty Retailers
AT&T	44	45	USA	New Technologies
Accenture	45	-	Europe	Banks, Financial services, Infotech services & Insurance
Samsung electronics	46	42	Asia	New Technologies

* This year companies whose industry scores are equal when rounded to two places will receive the same rank, i.e., they will tie. In cases of ties, companies are listed in alphabetical order.

TABLE 3

	% of text lines								
	Ethics & Corporate Culture	Regulation & Compliance	Stakeholders & Internal Organization			Community			Implementation
			Stakeholders	Internal Organization	Total	Society	Environment	Total	
Industries									
New Technologies	7,03	22,60	17,57	29,42	46,99	1,85	3,73	5,58	17,80
Banks, Financial services, Infotech services & Insurar	6,12	20,91	14,92	41,18	56,10	1,40	0,54	1,94	14,94
Food, Beverages & Consumer goods	4,70	14,24	22,74	34,06	56,80	2,44	1,78	4,22	20,04
Energy	8,33	9,72	6,95	33,33	40,28	0,00	0,00	0,00	41,67
General Merchandisers & Specialty Retailers	4,84	20,74	23,34	36,54	59,88	1,86	1,55	3,41	11,12
Motor	4,94	21,18	33,33	16,58	49,91	11,24	5,59	16,83	7,14
Transportation & Delivery	5,57	24,65	15,89	27,95	43,84	0,48	0,84	1,32	24,62
Industrial & Farm Equipment	12,09	12,70	20,57	23,30	43,86	1,82	0,69	2,52	28,83
Pharmaceutical & Cosmetics	0,90	30,13	18,52	33,62	52,14	0,00	1,25	1,25	15,59
Hotels & Entertainment	8,84	17,05	11,81	47,86	59,67	0,00	0,00	0,00	14,45
Location									
US	6,01	20,23	17,95	34,65	52,60	1,43	1,10	2,52	18,63
Europe	7,15	19,61	21,67	24,83	46,50	1,95	4,59	6,54	20,21
Asia	6,67	18,09	30,04	23,61	53,65	9,58	7,77	17,35	4,24
Total									
Total	6,17	19,99	19,32	32,84	52,16	2,18	1,98	4,16	17,52

TABLE 4

	% of text lines					
	Stakeholders					
	Employees	Clients	Competitors	Suppliers	Shareholders	Total
Industries						
New Technologies	7,87	3,50	2,54	2,88	0,78	17,57
Banks, Financial services, Infotech services & Insurance	5,30	4,01	2,75	1,98	0,88	14,92
Food, Beverages & Consumer goods	8,32	4,70	4,34	3,78	1,59	22,74
Energy	0,00	1,39	2,78	2,78	0,00	6,95
General Merchandisers & Specialty Retailers	10,69	5,88	1,97	2,62	2,19	23,34
Motor	8,91	8,39	4,96	5,46	5,61	33,33
Transportation & Delivery	6,81	1,88	4,98	1,20	1,02	15,89
Industrial & Farm Equipment	9,35	4,37	1,66	2,58	2,61	20,57
Pharmaceutical & Cosmetics	4,06	5,32	7,47	1,67	0,00	18,52
Hotels & Entertainment	4,43	3,33	0,00	2,60	1,46	11,81
Location						
US	7,32	4,00	2,90	2,49	1,24	17,95
Europe	7,23	5,00	5,04	2,01	2,39	21,67
Asia	9,09	7,35	3,63	6,50	3,48	30,04
Total						
Total	7,47	4,38	3,15	2,80	1,53	19,32

FIGURE 1

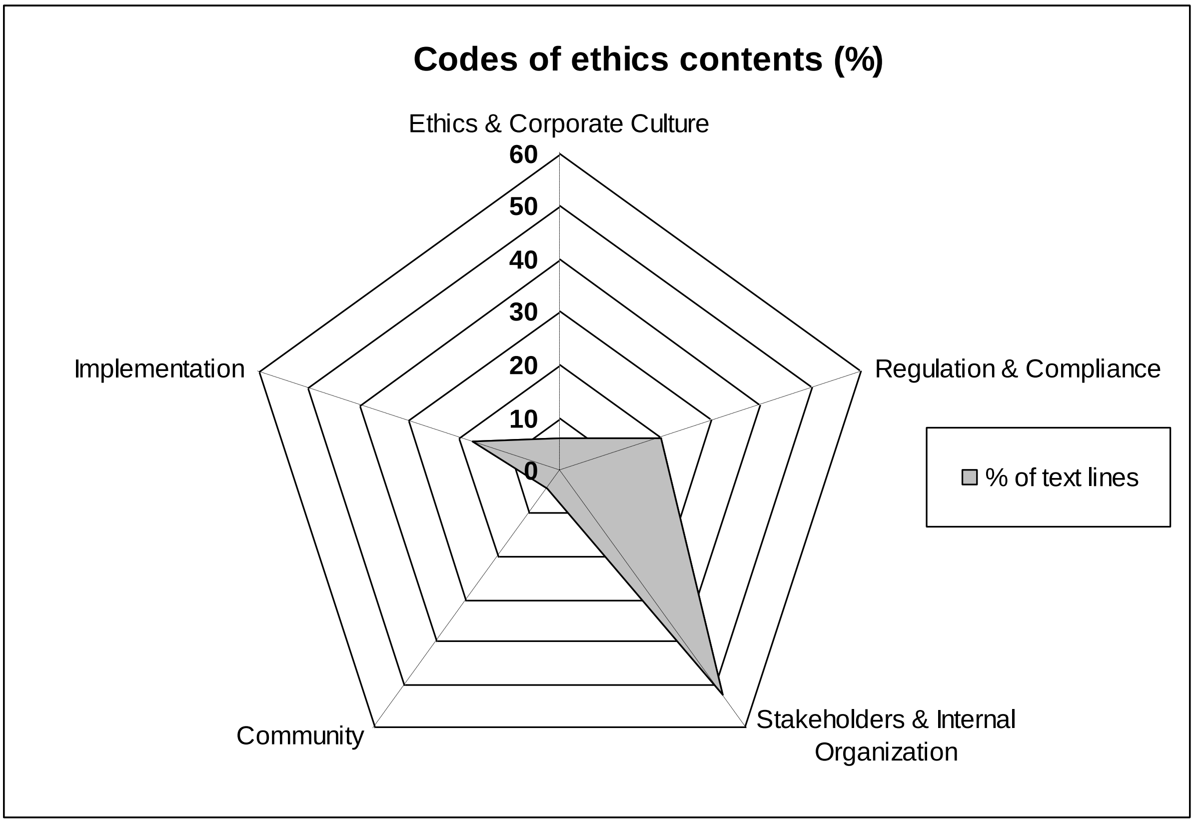

Codes of ethics contents (%)
Ethics & Corporate Culture
60
50
40
30
20
10
0
Implementation
Regulation & Compliance
% of text lines
Community
Stakeholders & Internal Organization

FIGURE 2

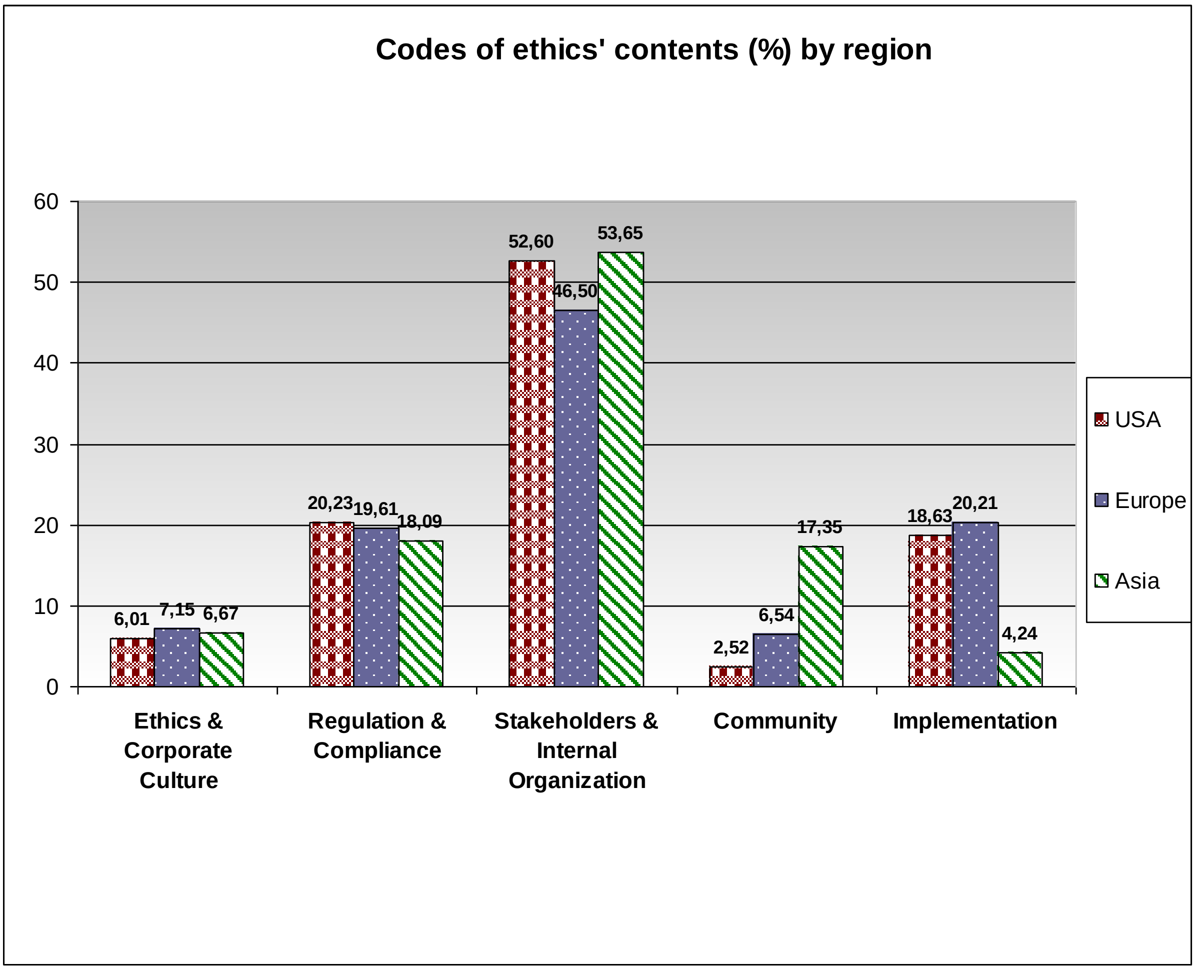
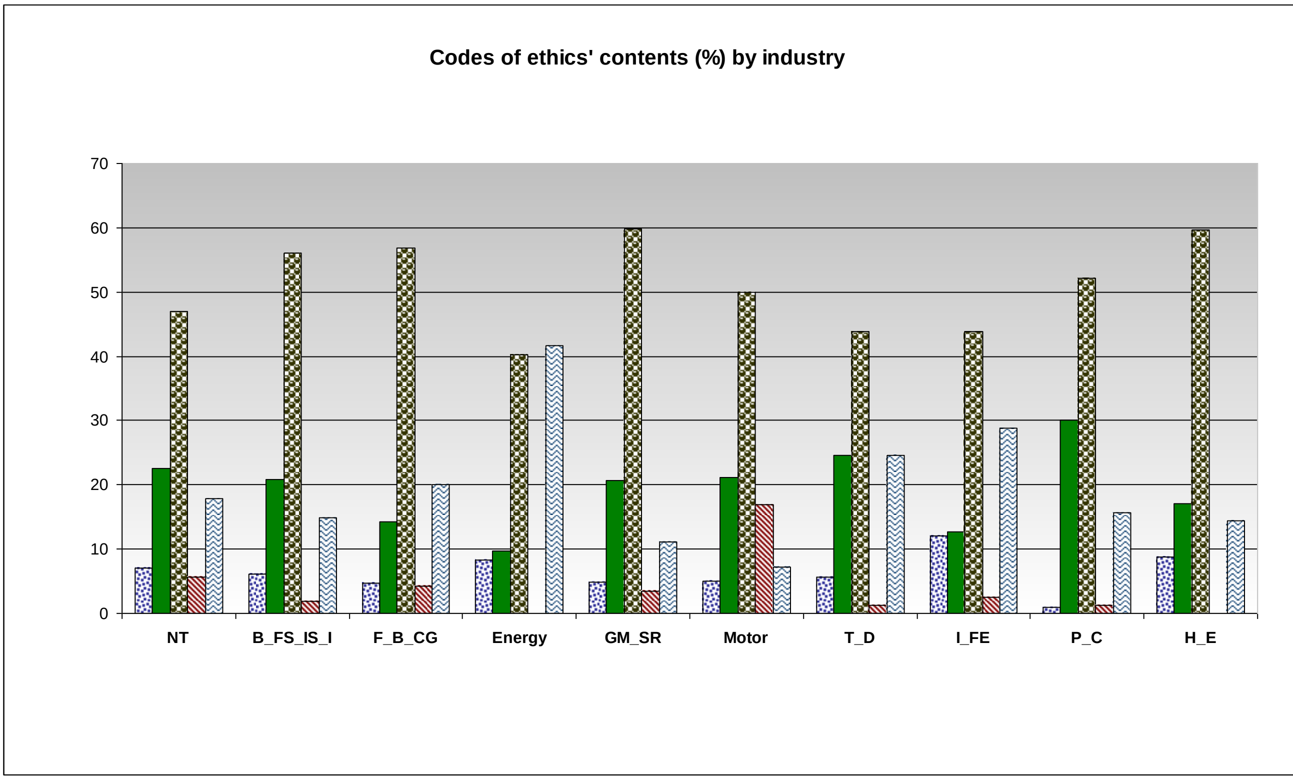

Codes of ethics' contents (%) by region
60
50
40
30
20
10
0
6,01
7,15
6,67
20,23
19,61
18,09
52,60
46,50
53,65
2,52
6,54
17,35
18,63
20,21
4,24
Ethics & Corporate Culture
Regulation & Compliance
Stakeholders & Internal Organization
Community
Implementation
USA
Europe
Asia

FIGURE 3



NT	New Technologies
B_FS_IS_I	Banks, Financial services, Infotech services & Insurance
F_B_CG	Food, Beverages & Consumer goods
Energy	Energy
GM_SR	General Merchandisers & Specialty Retailers
Motor	Motor
T_D	Transportation & Delivery
I_FE	Industrial & Farm Equipment
P_C	Pharmaceutical & Cosmetics
H_E	Hotels & Entertainment

Ethics & Corporate Culture
Regulation & Compliance
Stakeholders & Internal Organization
Community
Implementation

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