# The Ethical Management Practices of Australian Firms[1]

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ABSTRACT. This paper addresses a number of important issues regarding the ethical practices and recent behaviour of large Australian firms in nine industries. These issues include whether firms have a written code of ethics, whether firms have a forum for the discussion of ethics, whether managers consider that their firm's activities have an environmental impact and whether there are any statistical relationships between the size, industry class, ownership, international involvement and location of the firm and its ethical management practices. These questions are examined by using data collected from a sample of 136 large firms operating in Australia.

## 1. Introduction

The purpose of this paper is to address various ethical issues and to assess the ethical management practices of large Australian firms in different industries. A cross-sectional empirical field study approach is adopted, using a sample of firms with annual sales greater than Australian dollar (A$)2 million as the basis for a statistical analysis.

The recent conduct or behaviour of some leading business figures, government officials and firms have raised many issues concerning the practice of ethics, and the underlying philosophy which governs this practice Small (1995). Ethical issues can differ significantly according to age, sex, income levels, the culture, time periods considered, location of the firm, and the size of the firm. The debate on ethical issues can be broadly divided into two separate areas of concern; ethical issues from a personal or individual viewpoint and ethical issues from a corporate viewpoint. This distinction is necessary since the corporation or firm is separately liable in law for its actions.

There is considerable difficulty in describing the corporate viewpoint of ethics. This problem is exacerbated by the difficulty in describing exactly what business practice is fully acceptable, or fully unacceptable, from a broad social perspective. Many business practices that are seen as fully legal have caused a significant cost to society in direct and indirect ways in the past. Pollution and other environmental related consequences of development are obvious examples. Andrews (1989), argued that a narrow economic (the maximisation of wealth) view of the purpose of the organisation is the principle obstacle to achieving higher standards of ethical practice, since it allows overemphasis on self interest at the expense of the consideration of others.

It is the aim of this study to address the problem of business ethics from a broader perspective by considering the ethical practices and recent behaviour of Australian firms specifically and industry generally. The approach adopted

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will involve the statistical analysis of a number of key issues to ascertain their effects on ethical practice. This approach is in line with Randall and Gibson (1990), who called for more thorough methodologies in empirically based ethics research.

The specific issues addressed by this paper include:

(a) whether firms have a written code of ethics.
(b) whether firms have a forum for the discussion of ethics.
(c) whether respondents consider that their firm's activities have an environmental impact, and
(d) whether there are any statistical relationships between the size, industry class, ownership, international involvement and location of the firm and its ethical management practices.

These issues also raise important policy implications involving the extent of ethical management regulation in the corporate sector. The debate here is twofold: firstly, it concerns industry as opposed to any one firm's accountability; unethical practice may be endemic in an industry as a whole, and secondly, the ability for industry self-regulation of its ethical standards and practices.

The paper is arranged as follows. In section 2 a review of the literature which provides the context for this study is undertaken. Section 3 describes the research method used to undertake the survey and the data sources. The empirical results are presented and discussed in section 4. The final section allows for some concluding remarks.

## 2. Literature review

The definition of ethics can roughly be expressed as Standards of Conduct or moral judgement (Ralston, 1994). Distinctions must be made between codes and rules of ethics. Hosmer (1987, p. 153) described codes as "Statements of the norms and beliefs of an organisation . . . they are the way that the senior people in an organisation want others to think". Rules are "requirements to act in a given way, not just expectations or suggestions or petitions to act in that way" (Hosmer, 1987, p. 68). Since violation of a code will often lead to dismissal, this distinction is often blurred.

Although these are straight forward definitions, it is often difficult to identify non ethical conduct in practice. Noe and Rebello (1994), point out that while a number of managerial actions are observable and can be regulated, many managerial actions cannot be observed. Merchant's (1988) study considered final reporting practices and reported that there was controversy as to whether they were fraudulent or merely unethically acceptable reporting practices. When non ethical practices are seen as fraud they can be identified relatively easily and there is a clear non acceptance of the practice by the business and non business world. The difficulty of identification also makes the issue more complicated. The cost of non ethical practices which are deceptive whether they are fraudulent or not, are significant to the public, as well as to firms.

Australian research (Milton, 1992) has taken a personal perspective and focused on the teaching and fostering of ethical practice and values in organisations through business school, professional bodies and management leadership.

There are a number of academic research studies on the ethical management practices of firms. Essentially, they can be broadly categorised into three groups. The first group attempts to define the concept of ethics and the existence of an ethical theory. Derry and Green (1989) provide a critical assessment of ethical theory in business ethics. The second group of research papers investigates the attitudes and practices of various firm managers to ethics and the firm's ethical practices. Some of these attitudinal studies have also focused on student perceptions and the educational environment. Norris and Gifford (1988) provide a useful comparison of the literature in this area. Other attitudinal studies have focused on the influences of socio-cultural factors (age, sex, and culture) on managerial perceptions of unethical practices (McDonald and Zepp, 1988; Rashid, 1990). The last group of research studies are empirical field studies to determine what ethical management practices are in use, and the factors influencing such practices. It is the last group to which this paper belongs. The emphasis of these empirical studies has been the effect of firm size on ethical practice. However, the findings from a number of studies on the effects of firm size have been mixed. Clinard and Yeager (1980) found a nonsystematic relationship between firm size and illegal corporate activity, while the study by Finney and Leiseur (1982) showed a mixed result. On the other hand, Dalton and Kesner (1988) found that unethical conduct in large organisations was greater than in small firms. These differing results draw attention to differences in the definitions of ethical behaviour captured by the various studies.

The empirical impact of researchers' definition of what exactly constitutes ethical behaviour, is highlighted in Longenecker, McKinney and Moore's (1989) cross-sectional survey of small and large U.S. firms. This survey found that on six of the twelve issues examined, small business expressed more stringent ethical views. Yet on the other six issues, small business indicated a more permissive stance; particularly on issues which had a direct effect on the financial welfare of the respondent. These included padding expense accounts, using insider trading and copying computer programs. Differing organisational structures may account for the observed differences in attitudes by small and large business. The authors argue that less formal management controls in small business may reduce bureaucratic pressures to act unethically, but also encourage unethical behaviour in other areas due to the lack of formal monitoring or control systems. This point was further discussed by Murphy (1992).

The survey by Murphy (1992) also supported the proposition that firm size influences ethical behaviour. This study used a sample of 526 firms, and a multivariate discriminant analysis. The findings suggested that there was a relationship between the company size and ethical behaviour, however the nature of this relationship was not defined. Pearson correlation coefficients revealed important relationships between firm size and certain management practices. Smaller firms tended to demonstrate more ethical behaviour on marketing issues and larger firms tended to act more ethically on operational issues. The study argued that leadership had minimal influence on ethical behaviour, that there was a weak relationship between the existence of ethical codes and ethical behaviour, and that ethical conduct was viewed as more important in firms where managers at the lower level were responsible for integrating ethics into daily operations. The findings also showed that firms with written Codes of Ethics, practice higher degrees of ethical conduct.

Having a written code of ethics (or a Corporate Code of Conduct) is considered as one of the important remedies by Merchant (1988), in avoiding deceptive practices which often occurred under the belief that it served the company's best interest. Also, he focused on a specified detailed Code of Conduct rather than a general Code of Conduct. This procedure can be further advanced by training personnel to give them a better and thorough knowledge of ethical practices. Top management has a significant role to play in business ethics. Moral guidance and active leadership often reinforce the other devices used in enhancing good business practices. Efficient, effective detailed internal control systems are another complementary device in assuring good business practices.

Everett (1986) reports that a 1979 study of the Ethics Resource Centre, found that 70% of large corporations had codes of ethics. The Centre for Business Ethics (1986) estimated that 90% of firms wishing to institutionalise ethical practices had written codes of ethics. This suggests that introducing and having written Codes is the first step to influencing ethical standards within the firm.

McDonald and Zepp (1989, p. 23) described the primary advantages and disadvantages of codes. Criticism of codes centre on their generality, the fact the codes themselves are not prioritised, and are often not believed by employees. Advantages of codes are that they clarify exactly what constitutes unethical behaviour, focus employee attention upon the issue of ethics, define limits of conduct, provide employees with the opportunity of refusing compliance with an unethical action, communicate a managerial philosophy and assist in the induction and training of new employees.

A perspective on how ethical issues arise in the firm may be obtained by viewing the firm as responsible for a resource transformation process, as it pertains to the open system theory of the firm described by Katz and Kahn (1978). This process involves three primary transactions; inputs, throughputs and outputs. The ethical issues raised by these transactions are described by Collins (1989, p. 7). Business ethical issues in this framework are concerned with tradeoffs between the harm and benefits that occur as part of the resource transformation process. However, Collins argues that simple cost-benefit analysis is not a sufficient method for analysing decisions, and an organisational harm analysis is a more appropriate framework. Such a framework, transcends legalism and directs managerial attention to harms the firm is about to commit, which though legal, are indeed unethical. This is often the case for environmental issues.

There are two important environmental related ethical issues: that of pollution which occurs at the output stage of the resource transformation process (the nature of the harm is both physical and economic), and the depletion of resources which occurs at the input stage of the resource transformation process (the nature of the harm is physical). Generally harms at the input and output stage are more highly condemned than throughput transformations. Recognition of the existence of these two harms is therefore an essential ingredient for undertaking an organisational harm analysis, and also for an organisation anticipating the extent of social condemnation arising from its actions. The current study establishes that very few Australian firms acknowledge that any firm activities have a negative impact upon the environment.

## 3. Methodology

This paper reports the results of a cross sectional survey of the ethical management practices of Australian firms in different industries. The survey was conducted Australia wide. Given the sample size and the level of response it is reasonable to conclude that the practices described here are indicative of practices of Australian firms in different industries.

The firms surveyed were derived from Salescan lists. Salescan is an Australia wide listing of public and private firms and comprises about 27,000 companies. These companies have sales of at least A$ 2 million and employ at least 15 people. The ethical management practices discussed in this paper are the results from a mail questionnaire sent to the Managing Directors or Chief Executive Offices (CEO) of about 500 randomly selected firms with sales over A$ 2 million per annum, and whose registered offices were located in all 5 mainland states and the Northern Territory of Australia. Many of these firms operate throughout Australia and some had international operations.

The respondent was generally the CEO or another senior manager. While anonymity was assured by the respondents returning an unmarked or uncoded reply paid envelope (free post), interested respondents were promised a copy of the summarised results and the opportunity to discuss the survey results.

From an overall mailout of 492 firms, 136 questionnaires were returned and processed, yielding an effective response rate of 27.6% (136/492) which is considered a good response rate for a mail survey of its kind.

## 4. Analysis of results

The survey analysis was undertaken in two stages. Initially, descriptive analysis of a number of company characteristics and management practice variables was carried out. Then, a more complex analysis was performed, first by constructing two way tables of company characteristics and management practice variables. The relationship between the various company characteristics and the management practice variable was examined using Chi-square tests, since these effects are based upon categorical data. The null hypothesis for these tests was that the firm variable and the management practice variable are independent.

A significant Chi-square value for the relationship between a firm specific variable and a management practice variable would indicate that the firm specific variable may have a significant effect on the management practice.

The company (firm specific) characteristics used were; broad industry grouping, location of registered office, sales turnover, international business involvement and legal structure (public or private). The specific classifications were left as broad as possible in the questionnaire, however, for more complex analysis, the classification intervals were collapsed to ensure sufficient companies fell within each of the more general categories.

The firm specific variables employed in the chi-square analysis were:

(a) Industry Classification: 5 categories (Primary, Secondary, Wholesale & Retail, Services, Construction & Building)
(b) Location: 4 categories (NSW, VIC, QLD and other states)
(c) Size (sales turnover): 3 categories (\$2–\$9.9 million, \$10–\$49.9 million, ≥ \$50 million)
(d) International Involvement: 2 categories (Foreign sales and foreign purchases < 25%, or foreign sales or foreign purchases ≥ 25% of total foreign sales and purchases).
(e) Ownership: 2 categories (Private, Public ownership)

Three management practice variables were considered:

(a) Whether or not the firm follows a written code of ethics.
(b) Was there an organised forum for the discussion of ethical practice (yes/no).
(c) Whether or not the respondent believed the firm's activities had an environmental impact.

The results of the study are presented in a series of Tables. The first group of these tables (Tables I to IX) report the cross-tabulation of key management practice variables within the sample. The last table (Table X) summarises the statistical relationships of the five firm variables with the three management practice variables. The analysis is described under the following:

(i) Respondents classified by industry;
(ii) Firms with written codes of ethics;
(iii) Firms with a forum for the discussion of ethics;
(iv) Respondents acknowledging that firm activities have a negative impact on the environment;
(v) Statistical tests of the independence of the firm variables with the management practice.

### (i) *Respondents classified by industry*

The respondents were classified by industry in Table I. The largest industry grouping was wholesale and retail trade (46 responses). To ensure statistical validity in the later analysis, these

TABLE I
Respondents classified by industry

| Industry | No. of firms | % of firms |
|---|---|---|
| Wholesale and retail trade | 46 | 33.8 |
| Manufacturing | 27 | 19.9 |
| Construction and building | 19 | 14.0 |
| Agricultural, forestry and fishing | 12 | 8.8 |
| Transport and storage | 10 | 7.3 |
| Mining and processing | 6 | 4.4 |
| Finance and insurance | 2 | 1.5 |
| Electricity, gas and water | 1 | 0.7 |
| Other | 13 | 9.6 |
| Total | 136 | 100.0 |

TABLE II
Firms with written code of ethics classified by size (sales)

| Annual sales (A$ million) | Written code of ethics | | | | Total no. of firms | |
|---|---|---|---|---|---|---|
| | Yes | | No | | | |
| Less than $10 million | 11 | 23.9% | 35 | 76.1% | 46 | 100% |
| $10–49.9 million | 13 | 22.4% | 45 | 77.6% | 58 | 100% |
| Greater than 50 million | 15 | 46.9% | 17 | 53.1% | 32 | 100% |
| Total | *39* | 28.7% | *97* | 71.3% | *136* | 100% |

TABLE III
Firms with written code of ethics classified by location (state in Australia)

| State in Australia | Written code of ethics | | | | Total no. of firms | |
|---|---|---|---|---|---|---|
| | Yes | | No | | | |
| New South Wales | 8 | 33.33% | 16 | 66.66% | 24 | 100% |
| Victoria | 15 | 27.8% | 39 | 72.2% | 54 | 100% |
| Queensland | 7 | 28% | 18 | 72% | 25 | 100% |
| Others | 9 | 27.2% | 24 | 72.8% | 33 | 100% |
| Total | *39* | 28.7% | *97* | 71.3% | *136* | 100 % |

TABLE IV
Written code of ethics: cross tabulation of firm practice with respondent believing the firm should have a code

| Respondents reply to, "should the firm's ethical code be in writing?" | Does the firm have a written code of ethics | | | | Total no. of firms | |
|---|---|---|---|---|---|---|
| | Yes | | No | | | |
| Yes | 37 | 39.8% | 56 | 60.2% | 93 | 100% |
| No | 2 | 5% | 38 | 95% | 40 | 100% |
| No response | 0 | 0 | 3 | 100% | 3 | 100% |
| Total | *39* | 28.7% | *97* | 71.3% | *136* | 100% |

TABLE V
Firms with a forum for the discussion of ethics classified by international involvement

| International involvement | Discussion forum | | | | Total no. of firms | |
|---|---|---|---|---|---|---|
| | Yes | | No | | | |
| Foreign sales and purchases < 25% total | 36 | 43.4% | 47 | 56.6% | 83 | 100% |
| Foreign sales and purchases > 25% total | 14 | 27% | 38 | 73% | 52 | 100% |
| Total | *50* | 36.8% | *86* | 63.2% | *136* | 100% |

TABLE VI

Firms with a forum for the discussion of ethics classified by ownership

| Ownership | Discussion forum | | | | Total no. of firms | |
|---|---|---|---|---|---|---|
| | Yes | | No | | | |
| Private firm | 45 | 40.9% | 65 | 59.1% | 110 | 100% |
| Publicly listed firm | 5 | 19.2% | 21 | 80.8% | 26 | 100% |
| Total | *50* | 36.8% | *86* | 63.2% | *136* | 100% |

TABLE VII

Respondents acknowledging that firm activities have a negative impact on the environment: classified by size (sales)

| Annual sales (A$ million) | Negative impact | | | | Total no. of firms | |
|---|---|---|---|---|---|---|
| | Yes | | No | | | |
| $2–9.9 million | 6 | 13% | 40 | 87% | 46 | 100% |
| $10–49.9 million | 10 | 17.2% | 48 | 82.8% | 58 | 100% |
| $50 million or more | 13 | 40.6% | 19 | 59.4% | 32 | 100% |
| Total | *29* | 21.3% | *107* | 78.7% | *136* | 100% |

TABLE VIII

Respondents acknowledging that firm activities have a negative impact on the environment: classified by industry

| Industry | Negative impact | | | | Total no. of firms | |
|---|---|---|---|---|---|---|
| | Yes | | No | | | |
| Primary | 5 | 27.8% | 13 | 72.2% | 18 | 100% |
| Secondary | 7 | 25% | 21 | 75% | 28 | 100% |
| Wholesale and retail | 5 | 10.9% | 41 | 89.1% | 46 | 100% |
| Services | 6 | 24% | 19 | 76% | 25 | 100% |
| Construction and building | 6 | 31.5% | 13 | 68.5% | 19 | 100% |
| Total | *29* | 21.3% | *107* | 78.7% | *136* | 100% |

TABLE IX

Respondents acknowledging that firm activities have a negative impact on the environment: classified by ownership

| Ownership | Negative impact | | | | Total no. of firms | |
|---|---|---|---|---|---|---|
| | Yes | | No | | | |
| Private firm | 20 | 18.2% | 90 | 81.9% | 110 | 100% |
| Publicly listed firm | 9 | 34.6% | 17 | 65.4% | 26 | 100% |
| Total | *29* | 21.3% | *107* | 78.7% | *136* | 100% |

TABLE X
$\chi^2$ – Tests of independence of management practice variables and firm classification variables

| Management practice variable | Firm classification criteria: Industry | Location | Sales (size) | International involvement | Ownership |
|---|---|---|---|---|---|
| Written code of ethics | 2.36<br>4 d.f. | 0.47<br>3 d.f. | 6.99**<br>2 d.f. | 0.01<br>1 d.f. | 1.57<br>1 d.f. |
| Forum for the discussion of ethics | 5.56<br>4 d.f. | 9.66**<br>3 d.f. | 1.68<br>2 d.f. | 3.70*<br>1 d.f. | 3.82*<br>1 d.f. |
| Environmental sensitivity | 4.97<br>4 d.f. | 6.35<br>3 d.f. | 9.56***<br>2 d.f. | 0.68<br>1 d.f. | 3.39*<br>1 d.f. |

The values in the table are the $\chi^2$ values and their associated degrees of freedom
** significance at 0.05 level
*** significance at 0.01 level

industry classifications were collapsed to Primary (Agriculture, Forestry and Fishing; Mining and Processing) (18 firms), Secondary (Manufacturing; Electricity, Gas & Water) (28); Wholesale and Retail (46), Services (Transport and Storage, Finance and Insurance, Other) (25), and Construction and Building (19) sectors.

### (ii) *Firms with written codes of ethics*

The next series of tables (Table II–IX) report the cross-tabulation of certain management practices with firm variables. Tables II and III describe how the management variable (whether the firm has a written code of ethics) is affected by a number of firm variables. Firm size is cross-tabulated in Table II, location within Australia is cross-tabulated in Table III.

From Table II it is evident that the sample was balanced with respect to firm size, as measured by the annual sales (or turnover) of firms. Forty-six (33.8%) responses had annual sales less than A$10 million, 58 firms with sales between $10 and $50 million, and 32 firms with sales greater than $50 million. This included 11 firms with sales between A$50 and A$100 million, 11 firms with sales between A$100 and A$500, 10 firms with sales greater than $500 million. Most firms (97 or 71.3%) did not have a written code of ethics, though more of the larger firms (15 or 47% of the large firms) did have written codes of ethics.

The location of the head office of respondents is detailed in Table III. Victoria and New South Wales (NSW) are the largest states by population in Australia, and tend to be the favoured location for head office. These two states accounted for the largest number of respondents (78 or 57% of responding firms). These two states also had a similar proportion of firms with written codes of ethics accounting for 23 (or 59%) of the total firms with written codes. When the states were considered separately, NSW had one third of firms with written codes of ethics. The percentage of the firms with written code of ethics to total number of firms in other states were between 27%–28.7%.

Table IV provides a cross-tabulation of firms with written codes with those respondents who believed that a firm's ethical code should be in writing. While most respondents (93 firms or 69.9%) believe that the firm's ethical code should be in writing, only 37 (27.7%) of these firms actually have such a written code. Overwhelmingly management in firms which did not have a written code (40), did not believe it was necessary (38 or 95% of the 40). This is evident from the chi-square ($\chi^2$) result which is significant at the one per cent level. (Note that 3 of the 136 respondents failed to answer this question.)

(iii) *Firms with a forum for the discussion of ethics*

Table V provides evidence on whether firms have a forum for the discussion of ethics. Fifty firms (36.7%) indicated that they have a forum for the discussion of ethics while 86 firms (63.2%) responded negatively. Among those 50 firms which have a forum for the discussion of ethics, 36 firms (72%) have shown that their international involvement is less than 25% of total business involvements.

Firms operating in Australia may broadly be described in terms of ownership whether they are public firms listed on the Australian Stock Exchange or not, or whether they are unlisted and the stock is held by a small number of individuals (a "private" firm). Private firms are generally operated by owner managers, whereas public firms employ managerial agents, to operate the firm on behalf of shareholders. Though private firms account for the majority of firms operating in Australia, they generally tend to be smaller with annual turnover less than A$1 million. Public firms are larger, with the top 100 firms providing in excess of 60% of Australian Stock Market capitalisation. The largest of these firms are household names, have superior credit ratings and enjoy easy access to domestic funding.

Table VI reveals that the sample comprised 110 private firms and 26 publicly listed firms. According to firm ownership, among the 50 firms who have a forum for the discussion of ethics, 45 (90%) firms are from the private sector and 5 (10%) firms are from the public sector. Among the 86 firms who did not have a forum for the discussion of ethics 65 firms (75.6%) are from the private sector. Also the findings reveal that among the 110 private sector firms 65 firms (59%) do not have such a forum. A higher proportion of private firms (45/110 or 41%) have a forum for the discussion of ethics than publicly listed firms (5/26 or 19.2%).

(iv) *Respondents acknowledging that firm activities have a negative impact on the environment*

Evidence was also obtained on the view held by the respondents to the question of whether firm activities were believed to have a negative impact upon the environment. Environmental affects may arise from all three primary transactions; inputs, throughputs and outputs involved in the resource transformation process. Different types and classes of firms have more immediate or direct environmental effects (pollution or environmental damage associated with the obtaining of inputs) than others.

A total of 29 (21.3%) respondents acknowledged that their firm's activities have a negative impact on the environment. When cross-tabulated with firm size (Table VII), 13 or 40.6% of larger firms (sales greater than $50 million) acknowledged that firm activities had a negative impact.

When separated into industry categories in Table VIII, the secondary sector recorded the highest number of firms (7) which acknowledged having a negative impact on the environment. However, among the 18 firms in the primary sector who responded to this question, 27.8% (5) acknowledged their firm had a negative impact on the environment and 25% of the respondents of secondary sector acknowledged firm activities had a negative impact on the environment. When firms were decomposed into ownership in Table IX, 18.2% of private firms (total 110) accepted having a negative impact on the environment and 34.6% of public firms (total 26) accepted having a negative impact on the environment.

(v) *Statistical tests of independence of the firm variables with the management practice variables*

In addition to the above descriptive analysis, the effect of a number of firm specific variables on various management practices was examined. These effects, being based upon categorical data, were tested using a $\chi^2$-test, for which the null hypothesis was that the firm variable and the management practice variable were independent.

A significant $\chi^2$ value indicates rejection of that hypothesis and hence suggests that the firm specific variable has an effect on the management practice.

The results of the various analyses are set out in Table X. Whether or not a firm follows a written code of ethics appears to be related to firm size. Table II indicates that the proportion of large firms having a written code of ethics is much higher than the proportion of medium and small firms. Among the 46 firms who responded to that specific question from the lowest annual Sales Group (less than \$10 million sales) 23.9% have a written code of ethics. Fifteen out of 32 respondents from the large firms (above \$50 million annual sales), 46.9% indicated that they have a written code of ethics. There is no indication that location, industry group, international involvement or the ownership of the firm (public/private) has a significant impact on whether the firm follows a written code of ethics.

Whether a firm had an organised forum for the discussion of ethics seemed to vary with the location of the firm, the extent of international involvement and whether the firm is publicly or privately owned, but not with industry or size. Firms with greater international involvement were less likely to have an organised forum for discussion and public firms were less likely than private firms to have this forum.

The environmental sensitivity of a firm appeared to be related to the size of the firm, and the form of ownership, but not to the other firm variables considered. Surprisingly, industry group did not seem to affect whether the firm recognised the environmental impact of its actions. The larger the firm the more likely it was to acknowledge any negative impact that its activities might have on the environment. Publicly listed firms were more likely than private firms to acknowledge any negative impact on the environment of their activities.

## 5. Concluding remarks

This paper provides insight into recent ethical management practices of Australian firms in nine industries. Specifically a number of issues were considered by this paper:

(i) whether firms have a written code of ethics;
(ii) whether firms have a forum for the discussion of ethics;
(iii) whether respondents consider that their firm's activities have an environmental impact; and
(iv) whether there are any statistical relationships between the size, industry class, ownership and location of the firm and its ethical management practices.

Most responding firms (97 or 71.3%) did not have a written code of ethics, though a significant number of firms (50 or 36.8%) had a forum for the discussion of ethics. Most respondents (107 or 78.7%) also did not believe that firm activities had a negative impact upon the environment.

It appears that, of the variables considered, only firm size has an important effect on ethical management practice. Firms size appears to have some impact on whether the firm has a written code of ethics or not. The proportion of large firms having a written code of ethics is much higher than those of the smaller ones. However, the findings of the present study do not support a relationship between the location, industry group, international involvement, or ownership of firms and having a written code of ethics. However, these factors, except industry, seem to be related to the existence of an organised forum for the discussion of ethics. On the other hand, the size and ownership of the firm seem to affect whether respondents acknowledge that the firms activities have a negative impact on the environment.

## Notes

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