Ethics Statements on Web sites of Indian Companies

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Abstract

This paper examines the corporate code of ethics of Indian companies as displayed on their websites. With the Securities and Exchange Board of India (SEBI) having made it mandatory for listed companies to frame a code of conduct and to place it on their websites, the question arises whether corporations are doing so merely as a requirement or whether they seem to be using it to make the best impact on the general public through the powerful mass medium of the internet. The official website of a company is its face to the wider world, including and beyond its various stakeholders, and it would thus be expected that companies would be keen to use this medium to present their formulated codes to project their image as ethically strong and transparent entities.

The codes of 60 top Indian companies displayed on their websites were studied for location of ethics statements, and the readability of these was calculated using the Flesch reading ease and Flesch–Kincaid grade level scores. The implication from the findings is that companies have the opportunity to present their ethical position with greater care on readability so that the material is comprehensible to a larger set of the public. In terms of layout too, the ethics codes could be made more easily accessible. More care also needs to go into framing of ethics statements as values-based rather than rule-based. This would help not only fulfil a mandatory requirement but also in articulating a unique identity for internal stakeholders to embrace, and for building a distinct image among competitors, in the public mind.

Ethics Statements on Web sites of Indian Companies

Introduction

De George (2005) narrates the history of business ethics as one comprising three strands, with roots for the strand of "ethics in business" going far back in religious and other traditions, as well as in various philosophical schools. The concern with presenting a business entity as an ethical one has been brought to the fore in contemporary times with frequent corporate scandals undermining public faith in the ethical values of companies. The benefits of establishing strong corporate governance procedures and of communicating these, are widely recognised (McGee, 2008; SEBI, 2003). Today, concern about the ethical conduct of business appears to be growing in society in India as in the developed world. Scandals and revelations of corporate malpractices whet the demand for greater transparency from businesses about their ethical positions and wider media attention fuels this demand. Stakeholders now expect companies to abide by regulations and norms, and carry out business in a principled manner. According to Waddock et al (2002), businesses are facing pressure to act responsibly as well as profitably from a number of sources including "primary stakeholders such as owners, employees, customers, and suppliers; secondary stakeholders such as non-governmental organizations (NGOs), activists, communities, and governments; and general societal trends and institutional forces" and consequently, businesses are increasingly trying to show themselves as responsible and compliant. One manifestation of this concern is the formalisation of ethics statements of organisations. Ethics statements serve a dual purpose – in addition to reflecting a company's stand to the public, ethics statements help employees to be clear about the conduct expected from them in various situations. Further, placing the statement in the public sphere serves to show to the public how seriously the issue is taken by them internally and what specific messages they are giving to their internal constituents. Communication on a mass medium serves as a public attestation of commitment to the issue by, in a sense, allowing the world to watch you. Also, the highly visible, public communication of a company's ethical stance may serve to build strong coherence between identity and image although care has to be taken to avoid dissonance between "the *official* communication . . . and what is *experienced* by the staff or *perceived* by external publics" (Polet 1999). It is to be seen whether the actions of companies with regard to communicating their ethical stance on the internet reflect this understanding of the role of such communication in creating a positive image as an ethically strong entity.

The internet today serves as a medium with a large and fast growing reach. "The emergence of new media, particularly the Internet, has enabled more rapid and easy access to information about corporate activities as well as more interactive modes of communication between the corporation and its multiple stakeholders" (Antal et al, 2002). Corporate web sites have become powerful tools for promoting corporate identities and building relationships with audiences (Topalian, 2003). According to Kent, Taylor and White (2003), "For organizations, Web sites provide a controlled channel through which they can communicate with stakeholder publics and the media. For stakeholders, Web sites provide publics with a channel through which organizations can be viewed and better understood" (63). In addition to marketing and other commercial activities through the web site, companies have recognised the benefits of an online presence and put up various kinds of information targeted at various segments of their stakeholders on their web sites. In fact, today, various stakeholders such as creditors, customers, and employees, actually expect access to "documents that will give them an accurate view of a company's position and standing" including that on corporate ethics (Jiang et al, 2009). Thus, with stakeholders

gathering information about organisations and forming an impression about them, one would expect the latter to be keen to highlight information that helps to create a favourable impact.

Many studies have been done on web sites in general and corporate reporting in particular. However, the focus of the latter has often been on financial reporting (for example, Healy and Papelu, 2001; Ashbaugh, 1999, Khan, 2007, Botosan, 1997). Ettredge et al (2002) looked at the relationship of corporate financial reporting – both mandatory and voluntary – with a firm's need for new external equity capital while many others such as Chaudhri and Wang (2007), Coope (2004), Esrock and Leichty (1998), have focused on the use of web sites for Public Relations and CSR. Ashbaugh et al (1999) explore the use of Internet financial reporting by companies to build and maintain relationships with a range of stakeholders such as customers, suppliers, employees and shareholders. The content of web sites has also been focused on, with scholars carrying out content analysis of web pages (Esrock and Leichty 1999), and of home pages, specifically (Li et al 1997), as well as analysing the readability of annual reports (Li 2008), of mission statements (Sattari et al 2011), and of marketing information on B2B web sites (Leong et al 2002). The focus of the latter on the readability of web sites derives from the understanding of the strategic and marketing value of such statements, and is underpinned on the assumption that firms would be interested not only in maintaining these sites but also in evaluating their readability for the target audience. "The study demonstrates that readability formulae can potentially yield a quick gauge as to the ease or difficulty of reading online text" (Leong et al 130). A similar focus on the readability of ethics statements being posted by organisations on their web sites would help to assess how far these show care of reaching out to the various stakeholders. Connolly-Ahern and Broadway (2007) carried out content analysis on web sites to study the impression management techniques being used by companies. They found that although web sites have become important impression management tools for corporations because they represent a constantly available source of information for an organisation's publics, corporate web sites are not using the full two-way communication capabilities of the web. However, very few studies such as Sanderson and Varner (1984), and Farrell and Farrell (1998), have focused on the language of ethics statements/codes. Studies with a particularly Indian focus could not be located, thus indicating the dearth of work in this area.

There is thus a gap in terms of studies of corporate web sites' use of the medium to post statements reflecting their ethical stance. The present study seeks to address this gap by studying how Indian companies are using their web sites to project an image of themselves as ethical and transparent specifically through their presentation of their ethical stance as articulated in the ethics statements provided on their web sites. The focus is on both the content and design features with a view to assessing how well these are used to reach the wide public and to create a positive image of the company as an ethical entity. Choices made by these organisations in terms of nomenclature, inclusion/exclusion of voluntary details, as well as the complexity of language used and the prominence given to the information, combine to indicate the keenness to reach out to the intended readers for the desired impact. This is an exploratory study, among the first to focus on Indian companies and examining the ways in which both the mandatory requirement for uploading the code of conduct for board members as well as voluntary codes/ethical statements are currently being presented on corporate web sites. It attempts to provide initial insight into how Indian companies are using the corporate web sites to communicate their corporate governance practices – specifically, the code of conduct/ethics. As online communication is dynamic, and such a study can provide a snapshot in time, there is value to be gained by comparing the practices of a large number of companies at a given point in time and using this data to provide some directions

for the future. The paper begins with a discussion of the literature on ethics statements/codes. Next, it delineates the methodology and goes on to provide a discussion of the results. It ends with possible future directions of study. Such a study may serve as a benchmark in the Indian context to compare the evolution of the codes with time, with the scores on readability indices providing an empirical and objective basis for noting the direction of shifts in codes. The study aims to provide an overall picture of the nature and content of ethics statements of Indian companies. It does not aim to cover the issue of enforcement of the codes or the impact of these on actual ethical conduct. It also does not extend to the receivers communication, the objectives and the actual user experience. Focus on these could be the subject of future studies.

Communicating through corporate websites

For companies around the world, the powerful mass medium of the internet allows companies make the best impact on the general public through corporate web sites. The official web site of a company is its face to the wider world, including and beyond its identified stakeholders, and it would thus be expected that companies would be keen to use this medium to present their formulated codes or other ethical statements to project their image as ethically strong and transparent entities. This would be especially pertinent given the context of the public's loss of faith in the ethics of business, and of the increased need to distinguish oneself, given the increasingly competitive environment in most industries following the opening up of the Indian economy. Whether for investor relations or relations with stakeholders ranging from activists and advocacy groups to general public and potential customers, such attempts would serve to distinguish one's image as a company with a strong ethical culture with abundant voluntary information establishing how much value is set by this position.

The questions arising from this are: *where and how* are the mandatorily required codes of conduct for board and senior management being posted on web sites, and *what* are the voluntary statements reflecting the ethical stance of companies being provided on web sites and *how* is this information being presented in terms of accessibility and textual features? It is assumed that organisations today would be aware of the vast reach of the internet medium to a very large range of stakeholders and would be keen to reflect an image of themselves as ethical entities through the information they choose to post on their web sites. The hypotheses, therefore, are that one would find, in addition to meeting mandatory requirements, a variety of voluntary ethics statements on the web sites of the top Indian companies and these would be provided with due care on easy accessibility for a visitor to the site, and would be in basic language options and in a readable style.

A study by the investor relations consultants Blunn & Co. found in 2003 that of the 135 companies under review, less than 25percent published their companies' corporate codes of ethics (Jones, 2003). Kaptein's study (2004) of business codes from around the world noted that because a business code was not a statutory requirement, "as more companies adopt a code, those who refrain from doing so will increasingly be confronted with stakeholders who will want to know why a code is not viewed a desirable instrument to manage ethics, integrity and social responsibility". In the current Indian context when both the framing of code of conduct for board and senior management as well as of putting it on the web site are mandatory requirements, those companies who do not present their codes in an accessible manner and with a view to its readability, or provide few details, may be similarly confronted with stakeholders questioning this lack of keenness to share their position on ethical issues

and wondering why this has apparently low priority for the company. In addition, companies can distinguish themselves as ethically strong by posting additional, voluntary information about their ethical stance. A high degree of care on the amount of disclosure on the issue, on easy accessibility, and on the ease of comprehension for the largest possible segment of the public would indicate a corporation's awareness of the role of formulating ethics statements and of disseminating these through the company's web site in helping to build the reputation of a company. Despite a corporate web site that displays mandatory disclosures having become a norm, there is yet no standardization of content and format. With much of these matters – of content detail and presentation styles over and beyond the mandatory requirements – left to the companies to decide, there is a lot to be gained in terms of the impression of transparency and ethical focus to be created in the minds of a range of stakeholders.

Corporate codes of conduct

The reasons for establishing and communicating corporate codes of conduct are many; Pelfrey and Peacock (1991) provide the following: they set the ethical tone internally, "explain the company's ethical philosophy, provide information on legal and ethical issues, provide a set of enforceable rules, or provide a public relations statement of company ethics" (14). Citing a Conference Board survey published in 1988, they provide the following further reasons: ensuring "commitment of the CEO to the code", helping "maintain public trust and credibility", fostering "greater managerial professionalism", protecting "against improper employee conduct", defining "ethical behaviour in the light of new laws or social standards", and ensuring the "maintenance of high ethical standards in the face of changing corporate culture and structure (decentralization, acquisitions, and mergers)" (14). Not only is formulation important but also dissemination and implementation. I am not extending the focus to the implementation, although it is no doubt of great importance because stakeholders would be quick to recognise mere window-dressing if the actual conduct bears out the claims made on such documents.

No doubt, these are strong and valid reasons for organisations to value the formulation and dissemination of ethical codes and other statements pertaining to their ethical stance. Not only are some of these required by regulation, organisations may see merit in formulating and disseminating these both to internal as well as external audiences. The climate of suspicion and skepticism in the light of corporate frauds and unethical practices makes it imperative for organisations to announce their stance on ethical matters concerning the conduct of internal constituents to the public. As Cochran and Weaver (1995) put it, "the perception of ethical failure in large organizations today places a burden of proof on all businesses. Every firm needs to demonstrate it's ethical, and company codes, company ethics programs and other activities are visible ways to do just that. . . . it's no longer enough for a business to provide employment, return on investment, and goods or services. Rather, society expects you to remedy societal ills, provide individual fulfillment and assist individuals in managing their personal lives. If you choose to ignore these social demands, you'll be subject to more laws, regulations, bad publicity and lawsuits." Moreover, as the business environment becomes more culturally mixed, the requirement for "trust and a clear set of behavioral expectations for employees" also assumes greater significance (Cochran and Weaver 1995). New, loosely structured organisational forms compared to "traditional, hierarchically controlled businesses" that Cochran and Weaver mentioned in 1995 as requiring trust among more autonomous players, may also explain the growing perception in Indian companies today of

the importance of defining norms, and providing clear guidelines for defining the company's ethical stand. According to Kaptein (2004), business codes not only clarify the objectives pursued by the company, its norms and values, but also what it can be held accountable for. For stakeholders other than the internal ones, the objective of posting ethical statements/codes on the mass medium of the internet is that of projecting a certain image of the firm. The more effort the organisation seems to have spent on the matter indicates to these external stakeholders the value it has for the organisation, and by extension shapes the readability it has for them. In 1984 Sanderson and Varner found to their disappointment that about three-fourths of the contents the codes studied by them were concerned with complying with various federal laws rather than with ethical issues. They note that "codes are written with a combination of two or more objectives: to explain the company's philosophy of ethics, to provide information on legal and ethical issues, provide guidance for complex ethical decisions, to provide a set of enforceable rules, and to serve as a public relations statement on company ethics" (29). According to them, a well-developed code would cover the general philosophical objectives of the company as well as specific and enforceable rules (30). With the former not in place, employees do not get a sense of the basic ethical beliefs rationales and commitments of the organisation at large, nor broad principles guiding them in contexts where specific rules do not apply. As far as the rules are concerned, they should be specific and clear, both about prohibited conduct as well as about enforcement procedures. Without these, there is a likelihood of employee morale going down due to fear of arbitrary and subjective enforcement. Sanderson and Varner (1984) concluded that codes of conduct were still in their infancy from the finding that most business codes were highly concentrated on legal matters, with over two thirds of the documents consisting of laws and legal interpretations. While studying the contents of contemporary codes on Indian web sites it would be revealing to see how if codes have moved from such a focus in the 1980s. Explicit reference to compliance with Clause 49 or to other laws/legal requirements is taken in the present study to indicate such a focus.

Liu et al (1997) focusing on the targeting of customers through web sites note that "company intentions can also be assessed from the interactive nature of the home pages" (342). The same may be said about the intentions of a company being indicated by its use of interactive features on the web site. In fact, while the feedback function was the only interactive feature in the late 1990s, with the evolution of technological capabilities there are even more ways of engaging the reader/visitor in today's times. A company that chooses to only put up its content – especially that related to corporate governance in general and ethical codes in particular – in PDF downloads, may be inadvertently showing that it is not particularly keen to utilise the potential of the web site to create a strong impression on various stakeholders as visitors are likely to avoid downloads so as to not disrupt their browsing, leading to an impression of no transparency in terms of disclosures. Pollach (2005) in her study of the 'About Us' sections on corporate web sites found that while companies do indeed recognise that self-presentation on the World Wide Web presents them with both opportunities and challenges, they were not displaying awareness of the fact that it is a pull medium that requires users to make choices about the content they want to be exposed to and that they will only choose to view a page if they know it exists. She concluded by pointing out that companies needed to make more efforts to help users find what they are looking for and at the same time entice them to see pages they would otherwise not choose to see. The present study of the ethics statements/codes on corporate web sites is similarly targeted at exploring what the presentation and content of these indicate about the organisations' intent.

The drive towards codifying corporate ethical stance

Prior to 2005, Indian companies were not obliged to explicitly formulate their ethical position for both internal and external stakeholders. No study of the number of Indian companies who already had such codes of conduct in the public space of the internet prior to 2005, has been located, so as to provide a comparative picture from which a clear inference may be derived about the effect of this mandatory requirement on the formulation and display of such conducts on company web sites.

In the US context, Pelfrey and Peacock (1991) credit the Treadway Commission report of 1987 with setting the trend of corporate codes by recommending that all publicly held companies develop and enforce written codes of corporate conduct and review the compliance with the codes by corporate audit committees. This was triggered by revelations of financial misreporting and misleading of investors in the mid-1980s. Cochran and Weaver (1995) demonstrate that the emergence of corporate codes of conduct picked up speed as a result of the federal corporate sentencing guidelines, enacted in 1991, that applied "legal pressure on all organizations to implement formal mechanisms for implementing business ethics. So your good-faith efforts to foster ethical behavior . . . [could] reduce your exposure to the established reprimands under the sentencing guidelines." Richard T. De George (2005) covers the history of business ethics and of the business ethics movement and the growth of the area as an academic field in the US. He too, finds that although there were some industry-wide voluntary codes of ethical conduct in the 1980s, it was the1991 U. S. Federal Sentencing Guidelines for Corporations. By providing "an incentive for corporations to incorporate ethical structures within their organizations," the law led to "a concerted effort on the part of most large companies to incorporate into their organizations the structures required" (De George 2005). This has got a further push through the more recent, the Sarbanes-Oxley Act of 2002, in the aftermath of "a rash of scandals involving Enron, WorldCom, Arthur Andersen and other prominent corporations" (De George 2005).

Comparable historical studies of an "ethics movement" in India or specifically of ethics statements/codes of Indian companies are not available. In the aftermath of successive stock market crashes, the Securities and Exchange Board of India (SEBI) decided in 2001, to introduce a code of ethics for directors and other functionaries of stock exchanges. Consequently, amendment to Clause 49 of the Listing Agreement relating to Corporate Governance made by the Stock Exchanges at the instance of SEBI through a circular dated 29th October, 2004 (effective date 1st April, 2005, extended up to 31st December, 2005) has made it mandatory for listed companies to lay down a code of conduct for all board members and senior management of the company and to put up the code on their web site (SEBI 2004). All board members and senior management personnel are required to affirm compliance with the code on an annual basis and the Annual Report of the company is required to contain a declaration to this effect duly signed by the CEO. An exception is made to the applicability of the revised Clause 49 for Mutual Funds and for "other listed entities which are not companies, but body corporate (e.g. private and public sector banks, financial institutions, insurance companies etc.) incorporated under other statutes." For these, Clause 49 would "apply to the extent that it does not violate their respective statutes and guidelines or directives issued by the relevant regulatory authorities" (SEBI 2004).

Despite making the formulation and display of a code of conduct on the company website a mandatory requirement, this directive is quite general and does not go into the specificities of

form or content. As a result, although listed companies have drawn up codes of conduct and put them on their web sites, there is much diversity of approach in the actual content, style, tone, and nature of the codes across companies. One tendency is for codes that are generic in form and content, without any specific reference to the particular industry and company, so much so that they could be used interchangeably by quite different companies without making any difference. Another is that towards heavily rule-based codes, revealing the impetus of playing safe and codifying a large number of norms and requirements, in contrast to codes meant to inculcate ethical conduct through appeal to values. Such codes may be seen as the mere fulfillment of a statutory requirement. Murphy (1995) found from a study of over 200 companies, that most codes were rule-based rather than value-based. This tendency may also be surmised, to some extent, from the care given to readability of the codes, that is, whether there is focus on communicating in a manner easing the reader's grasp. The explicit reference to this requirement being fulfilled may also signal the focus on compliance rather than on being driven by the company's conviction of the value of both the framing as well as dissemination of the code through the web site, signaling an attempt to reach a wider set of stakeholders than internal constituents.

While framing and displaying a particular ethical code may be mandatory, there are many other than statements that companies may choose to frame/disseminate in order to communicate their ethical stance. According to Murphy (1995), ethics statements can be classified into several types with the most common being value statement, corporate credo, and corporate code of ethics. He defines these thus:

- Value statement: succinct statement, often stemming from the firm's mission and give direction to it. While not exclusively devoted to ethics, these provide insight into how firms view ethical issues on relation to their operating principles.
- Corporate credo: set of basic beliefs, "delineates a company's responsibility to stakeholders and is usually a several paragraph statement outlining its ethical posture" (Murphy 1989).
- Corporate code of ethics: "more detailed discussions of a firm's ethical policies. Codes commonly address issues like conflict of interest, relationships with competitors, privacy matters, gift giving and receiving, and political contributions" (Murphy 1995).

Murphy (1995) found that the most prevalent form in which ethical principles were stated in the US was a code of ethics, with over 90percent having one. More than 50percent of these also had a values statement. A corporate credo existed in about one-third of all large US-based firms.

In addition to the prevalence of code, the scope and content of these have also been subjected to scrutiny. Hite et al (1988) found only about 10 percent codes were very comprehensive and specific. Robin et al (1989) analysed the content of over 80 ethics codes and found 3 clusters: "be a dependable organizational citizen"; "don't do anything unlawful or improper that will harm the organization"; and "be good to our customers" (68).

In his critical reflection on the ethics of communication and the communication of ethics, Polet found that the most recurring principles of company charters enumerating "the permanent values constituting the substructure of its actions" were: clarity, transparency, honesty, truth or objectivity, credibility, coherence, loyalty, and respect for human beings (Polet, 1999). The global picture may be seen from a1999 survey by Conference Board of 124 companies in 22 countries that found that more than three-quarters of all boards of directors were setting ethical standards in these companies, up from 21 percent in1987, and

just 41percent in 1991 (Wall Street 1999). In a study of multinational firms, Kaptein (2004) found that 52.5percent of the two hundred largest corporations in the world had a business code. He distinguished three types of codes: the stakeholder statute (72 percent), the values statement (49 percent) and the code of conduct (46 percent) with a number of codes integrating two or even three approaches. The recurring principles in these were found to be company responsibilities regarding quality of products and services, adherence to local laws and regulations; protection of the natural environment; principles governing stakeholder relations such as   transparency, honesty, fairness; corporate core values; appropriate conduct among employees; and treatment of company property by employees, including conflict of interests, corruption, and fraud.

Jiang et al (2009B) found that while 86.7 percent of the sites provided code of conduct and ethics, only 36.7percent provided codes of conduct/ethics for board/executives. The situation is likely to be quite different in the contemporary Indian context as the latter are a mandatory requirement while the former are voluntary.

Ethics statements of Indian companies

The Securities and Exchange Board of India (SEBI) has made it mandatory from 2005 for listed companies to frame a code of conduct for all board members and senior management of the company and to post it on their web sites. Other than this general requirement, there is no mention made of place of prominence on web site or ease of access or language choice or readability of the text. There is also no requirement for a code of conduct for employees and related policies on matters such as an ethics committee/officer, reporting mechanism for observed unethical activities; or for the declaration of organisational values. In the lack of any explicit specification of requirements in the Indian context, it may be useful to keep in mind the Guidance on Good Practices in Corporate Governance Disclosure of the United Nations Conference on Trade and Development (UNCTAD) (2006) that lays out, among other best practices, the disclosure of "code of ethics and any governance structure put in place to support that code of ethics" (16). Although the report acknowledges the lack of any established norms for practice in this area, it provides some suggestions for disclosures on this issue: "the existence of a senior ethics officer and that person's responsibilities; the existence of an ethics committee and its relationship to the board; policies for breaches of the ethics code, including reporting mechanisms and 'whistleblower' protection mechanisms; and policies on the dissemination and promotion of the ethics code" (17). In the present study these specific voluntary details were noted.

In the Indian context, with SEBI's requirements (Clause 49) of framing code of conduct and putting it on the official web site, it would be useful to explore the presentation of mandatory information, and inclusion of details over and above the required level. While it is expected that all listed companies would display the codes of conduct in compliance with the SEBI requirement, this study attempts to explore whether companies are leveraging the advantages of the web site for creating a positive impression by analysing how they present information about their ethical stance. This is done by looking at the contents (inclusions and exclusions), presentation, and readability. The assumption is that if companies were convinced about the value of such disclosures on the web sites and desired to reach out a variety of stakeholders to create a positive impression about their beliefs, actions, and policies regarding ethical conduct, they would go beyond the mere mandatory requirement and this would be reflected in care in ease of accessibility and readability of the material as well as the inclusion of many

voluntary details. Unless putting up the code on the web site is an end in itself, there should be care taken to increase the probability of various kinds of readers, both internal and external, being able to find it, and be able to read and understand it. Any desired outcome of framing and disseminating the codes is underpinned by readability and comprehension. The challenge for the framers of such material lies in the fact that the people of very diverse educational levels are potential readers.

The KPMG India Fraud Survey of 2006 found that post-Clause 49 of SEBI and the Sarbanes Oxley Act, the "lack of ethical values was cited as one of the principal reasons for the occurrence of fraud in organisations" and that there was an impetus to "proactively move towards the creation of a more 'ethical workplace'" through "various measures which could help them safeguard against the perils of fraud and misconduct" (KPMG 2006). The formulation and dissemination of a company's ethical stand would be one such measure. Although the issue of ethical statements has been the focus of a number of studies in the North American, European, and Australian contexts (Matthews 1987, Lefebvre and Singh 1992, and Wood 2000), it has not gained much attention in the Indian context.

The present study takes the Indian companies figuring in the Forbes Global 2000 list of 2011. The largest Indian companies from the world ranking are focused upon because as Jiang et al (2009) say, such companies are expected to use the most advanced information technologies available, if not lead the way with new technologies, and are also concerned with proper disclosure and transparency.

Methodology

For this study, the largest Indian companies from the Forbes Global 2000 list of 2011 were selected. Out of the 61 companies, Hero Honda Motors was excluded because it was no longer possible to study the web site of the company by that name as it changed to Hero MotoCorp in July 2011 following the exit of its erstwhile Japanese promoter, Honda. The web sites of the 60 companies were visited for the ethics statements between April 26 and May 5, 2012.

To answer the questions: *how* are the mandatorily required codes of conduct for board and senior management being posted on web sites and *what* and *how* are the voluntary statements reflecting the ethical stance of companies being provided on web sites, various parameters were identified from literature and from a preliminary study of a random sample of the web sites. In their study of the content and design of corporate governance web sites Jiang et al (2009) examined how far the reader had to look for the corporate governance information. They also found that several companies provided cross links to corporate governance information, thereby allowing multiple points of access. Pollach (2003) refers to the immense advantages of web site communication over traditional printed communication in terms of cost reach and attractiveness through the use of visual and audio appeal. However, the non-linear structure of the site communication requires much more effort and involves much more choice of the reader in selecting what to read and the sequence of the information accessed. Therefore, the design and navigational aids become very important in making the experience of a visitor to the site easy, productive, and satisfying. From preliminary study of the selected sites it was found that the ethics statements were located in a variety of places often making it quite challenging for the reader to find them. Therefore the existence of a search function as well as the prominence of the location of ethics statements becomes important. The location

of ethics statements/codes, may thus signify the organisational intent and by implication the appreciation of the role such communication may play in building the reputation of the organisation. The prominence of the location and the number of clicks needed to reach the ethics statements/codes was noted, with the latter scored as: 1 for single click, 2 for two clicks, and 3 for more than two.

With the large number of languages used in India and with high proficiency in the English language not being very high, it may be pertinent to look at the language options provided on Indian web sites. By providing information only in English the company may be showing its lack of interest in reaching out to a category of stakeholders who may not be proficient in the use of English and thus limiting the reach of its information and of the impact on its reputation for certain section of stakeholders. It may reflect that the potential of this information in strengthening the reputation of the company is not the guiding factor, but it is only done for the sake of compliance. It may, on the other hand, also reflect that the company feels that the kind of publics it wants to reach would necessarily be conversant with English.

Following from the questions: *how* are the mandatorily required codes of conduct for board and senior management being posted on web sites, and *what* and *how* are the voluntary statements reflecting the ethical stance of companies being provided on web sites, the following sub-questions were framed:

- Does the site have other language options?
- Does the site have a search facility?
- A. Is the Code of Conduct for Board and Senior Management Personnel posted on the site?
    - If yes,
        - Where is it displayed?
        - How many clicks are needed to reach it?
        - What is the format for the code: HTML? PDF? Word document?
        - How detailed is the information judged by number of words used?
        - Is there explicit reference to compliance with Clause 49 or other legal requirements?
        - Is information on the following provided: An ethics officer/committee; policies for enforcement/breaches of the code; whistleblower policy
- B. What voluntary ethics statements are provided?
        - Where are these displayed?
        - How many clicks are needed to reach these?
        - What is the format for these: HTML? PDF? Word document?
        - How detailed is the information judged by number of words used?
        - Is information on the following provided: An ethics officer/committee; policies for enforcement/breaches of the code; whistleblower policy
- What are the readability scores of the ethics codes/statements under A and B?

The statements were saved as Word documents or PDF format (those in secure PDF format had to be excluded from the analysis) and the readability scores from MS Word's language tools were found. The Flesch reading ease score provides a score is expressed as a score between 0 and 100, with a higher Flesch score indicating material that is more easily comprehensible and a lower score, material that is less easily comprehensible. For documents targeted at a wide range of readers, a score between 60 and 70 would be optimal. The Flesch-Kincaid Grade Level test rates text on a U.S. school grade level, with a score of 8.0 meaning

that an eighth grader can understand the document. For documents targeted at a wide range of readers, a score of approximately 7 or 8 should be aimed at.

For keeping track of the various parameters to be used for comparison of the codes, a template was prepared based on literature and after a preliminary study of the companies' web sites.

Findings and discussion:

- On the question, "are mandatory ethics codes (Code A) being posted on corporate websites?" and what voluntary information is provided, it was found that:
  - o 90 percent companies had a Code A on their websites
  - o 7.5 percent had Separate codes for directors/board and senior managers
  - o 15 percent had a common code for all employees, including directors/board and senior managers
  - o 61.5 percent included reference to clause 49 and enforcement/procedures for breaches, while 38.5 percent did not
  - o 66.7 percent included mention of an ethics officer/committee, while 33.3 percent did not
  - o 69.3 percent included a whistleblower policy, while 30.7 percent did not

- On the question, what other ethics statements (Code B) are posted and what voluntary information is included? It was found that:
  - o 30 percent companies had other ethics statements/codes on their websites
  - o 58.3 percent of these companies had a common code for all employees, including directors/board and senior managers
  - o 66.6 percent included reference to enforcement/procedures for breaches, while 33.4 percent did not
  - o 75 percent included mention of an ethics officer/committee, while 25 percent did not
  - o 83.3 percent included a whistleblower policy, while 16.7 percent did not

Companies that put up these voluntary codes, thus displayed a greater willingness to include additional information as compared to Type A codes, as indicated by the high percentages of those including enforcement procedures for breaches, reference to an ethics officer/committee, and to whistleblower policies.

- When it came to basic functionality of the websites, whereas 75percent of companies had a search function providing an important resource for users, only 42.5percent provided language options, indicating that the primary audience targeted through the internet is the English-speaking elite.

- The findings on the Flesch reading ease and Flesch–Kincaid grade level scores for codes A and B are given below:

Code A

	Range	Average
Words	89-5216	1939.2
Flesch reading ease	10.3-46.2	31.5
Flesch Kincaid Score	8.3-19.1	12.3

Code B

	Range	Average
Words	328-16847	4982.1
Flesch reading ease	19.3-42.2	31
Flesch Kincaid Score	9-17.2	12.4

Both show a very wide range in words used, indicating that while the average length of Code B is almost 40 percent greater than Code A, some companies are merely putting up codes that are as low as 90 words long in the case of Code A, and 300 in the case of Code B. At the same time, others may be in danger of deluging their readers with the sheer volume of material they put up.

Flesch reading ease and Flesch–Kincaid grade level scores for codes A and B are almost the same. An average of around 31 for the Flesch reading ease indicates that on an average, the material requires at least university-level education to be understood. In case of Code A, the lower limit of 10.3 indicates that some codes are extremely low on ease of reading. An average Flesch Kincaid Score of around12 indicates that the material may be understood by those with about 12 years of schooling. That seems reasonable. However, the higher ends are a little over 19 and 17 for Codes A and B respectively and these indicate that some companies are putting up material that is very dense and requires very high levels of education to be understood. Thus, the objective in having their information on the website may be utterly defeated. On the other hand, it may lead to the criticism that such statements are put up not with the objective of really reaching out to people in the public sphere though a medium such as the internet, but merely as a requirement or as a dumping of material without thought to features such as readability. Those with scores below 10 indicate a real understanding of how material should be made easily accessible to most readers.

- Another aspect of accessibility considered was the number of clicks needed to get to the code. In case of Code A it was found that 30.8 percent needed one click, 51.3 percent needed two, and 17.9 percent needed three or more clicks. In case of Code B, 16.7 percent needed one click, 50 percent needed two, and 33.3 percent needed three or more clicks.

- The location of the codes was also studied as it may indicate both the desire of the company to make these easily accessible and also how it is categorised. With 43 percent putting Code A under "Investors" and 34 percent, under "Governance," it becomes apparent that most companies primarily regard investors as their intended readers. In case of Code B, only 25 percent placed it under "Investors" but a similar – 35 percent – placed it under "Governance".

- In terms of format, across codes, companies appear to have a preference for posting their codes in PDF format rather than HTML, with 66.6percent of Code As and 58.3percent of Code Bs choosing the former. On both counts, 3 companies required their PDF file to be downloaded, involving more time and effort on the part of the user, adding an additional obstacle in terms of accessibility.

Jones' (2003) study of Corporate Governance information on investor relations web sites similarly found them to be "mostly difficult to find and use. . . . Typically the information is buried in a variety of print documents that have been crudely repurposed and posted to sites.

. . . only eight percent of companies post their proxy circulars in the Commonwealth format of HTML to make access to information easier. Almost 70percent of companies posted their most recent proxy statements in a single PDF graphic file" (23).

Conclusion:

Ethical codes in the Indian context have not been subjected to much scrutiny. As this study shows, most Indian codes at present are heavily rule-based and complex in language use, thereby reducing ease of reading and comprehension. It is to be hoped that these will move from the level of compliance to that of distinctness, ownership of the ideas, and focus on communicating the values rather than on rules.

No doubt, the mere formulation of codes and their display on the web sites is no guarantee of actually impacting the ethical stand of a company. Nonetheless, these are important steps in themselves as are all first steps. Framing and displaying a company's official position on important ethical matters on a public platform such as the official web site, is a good beginning that could be used for more than mere compliance with a mandatory requirement. How far an organization takes the ethical consideration may serve to distinguish it from competitors and contributes to its reputation and standing. The expectation that companies would be keen to project their distinct image as strongly ethical by posting a variety of voluntary information on their web sites in an easily accessible and widely comprehensible manner so as to maximise its reach and impact, was not borne out through this study. Ethical statements/codes that are clearly identical to those of other companies defeat the purpose of distinct identity or of impacting stakeholders perception in favour of the company and seem only to be done out of a sense of requirement. A number of statements/codes of the companies in this study fell into this category.

A number of scholars have criticised codes of ethics on various grounds. Murphy (1995) summarises the faults found with codes: being too oriented to the public relations value; being "too platitudinous or just 'Mom and apple pie' statements;" being general and discussing topics that are not pertinent to the particular industry; not covering sanctions or providing systems for dealing with violations; or tending to be too legalistic and a mere codification of rules rather than undertaking to provide moral guidance. However, it is also recognised that no code can account for every conceivable ethical violation and the suggested way out of this is to make codes specific, with examples of possible ethical violations provided, yet in a "directive rather than inclusive" manner (Murphy 1995).

The findings indicate that although a number of companies are probably realizing the importance of presenting themselves in ways that may be seen as ethically aware and having systems in place for ethical conduct of business, there is much scope for improvement in terms of the number of such companies. This is not to say that such presentation of themselves on the web site is in any way a reliable indicator of actual ethical stance or ground reality in terms of practice. As Stephen Covey writes in The Speed of Trust (2006), although a movement has risen out of "the ashes of crisis, corruption, and public distrust . . . to revitalise the ethics and spirit of free enterprise," what is needed is more determination on the part of companies to work on clear identification and articulation of their value systems and training their people on "how these values translate into actual behaviour." Rather than this, most companies are reacting with more of the compliance approach and a tightening of their rules. It may be hoped that with such a large proportion of Indian companies adopting codes, there will be refinements driven by the urge for distinctness as much as by the realisation of

its value not only in setting standards and norms of acceptable conduct, but importantly in clarifying the organization's stance on specific issues and underlying its ethical tone. The directions in which these refinements should go, based on the findings of this study, are in increasing the readability and reducing the complexity of language, adopting a moral rather than legalistic tone, and specificity. If companies kept in mind that the information on their web sites was potentially to be read by a wide range of people and in fact, saw value in the greater range of readers they could reach through their web site communication, they would take more care with making the material more readable. By making the codes of conduct complex, companies may be deterring many potential users and therefore losing out on the benefit in terms of projecting the desired image of themselves to wide range of publics. Perhaps some part of the problem in terms of the large variation in the kinds of details being included in ethical statements/codes could be addressed by the regulating body providing more specific directions. However, that may lead to a different problem – mere ticking off of every specific requirement rather than true ownership of the ethical stand is being projected the statements. The opportunity to set oneself off in distinction to others in the industry would also then be lost.

Future research:

The area of corporate self-presentation, especially of corporate governance matters including and beyond statutory requirements has much scope for further study in the Indian context. Across the world studies have been done with particular emphases that may yield useful insights if replicated for Indian companies. Jiang et al (2009A) studied a large number of design features such as presentation, covering location and number of clicks; interactivity, covering features such as blogs, downloads in multiple formats, email links on corporate governance page, online request form, RSS feeds; multimedia, covering podcasts and webcasts; and navigation, covering search box, index/site map/directory, search box. A detailed study covering all such features for Indian companies could be taken up. Further studies could go deeper into the ethical statements/codes by breaking down the common categories into very precise terms and analysing the frequency and length devoted to each. Another useful way of building on this study would be to focus on internal communications for the dissemination of codes to employees and their implementation. This would be useful in distinguishing between those that are driven by PR purposes or by mandatory requirements from those driven by the goal of creating ownership of the espoused values in employees, leading to ethical conduct. As Stevens (1994) notes, content analyses yield "rich information about the subject matter" of codes, but further studies are needed to answer questions about the effectiveness of the codes and the communication of the ideas to employees. The correlation between the nature of ethical statements/codes and the effectiveness of implementation also need to be studied as formulating these may only indicate the way in which the company would like the larger public to perceive it and not necessarily whether it implements the professed values internally in letter and in spirit. It would also be worthwhile to look at revisions of ethical statements/codes – frequency of these and the direction of the refinements with time. Future research may also take the form of longitudinal studies focusing on the evolutionary nature of corporate web sites as pointed by Pollach (2003) keeping in mind "the fast-paced nature of the internet and the fact that web sites are always in a state of flux and their content may change daily or even hourly"(299).

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