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Exploring the Interrelations between Codes of Conduct and Financial Performance: Evidence from Greece

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Abstract

Despite the fact that numerous studies have been conducted exploring possible relationship between corporate social responsibility and profitability, there is no research focusing on the relationship between code of conduct and financial performance. For this reason, the following research focuses at codes of conduct and examines whether exists any kind of relationship between codes of conduct and financial performance. In order to succeed in that, we execute multiple regressions. Moreover, we investigate the situation in Greece in 2014, regarding codes of conduct compliance, content and numerous other qualitative elements, by using as a sample the listed in Athens Stock Exchange industrial and commercial companies. In order to succeed in that, we sent a questionnaire to internal audit managers addressing all important elements regarding codes of conduct. Our results revealed no statistically significant relation between codes of conduct and financial performance. Moreover, our research contains useful conclusions regarding the situation in listed in Athens Stock Exchange companies about codes of conduct.

Keywords: code of conduct; corporate social responsibility; financial performance
JEL Classification: M19

1. Introduction

In 1970, M. Friedman [13] declared that the main goal of companies is to create profit and only that. According to his argument, managers of companies who initiate and execute social responsibility programmes, in a way, impose companies they work for a tax to shareholders. Numerous studies have been conducted exploring possible relationship between corporate social responsibility and profitability. Results were directed at every possible direction: positive relationship, negative relationship and no relationship.

A code of conduct is a tool used by many companies in order to apply their social responsibility principles into practice and to declare their core values. It facilitates companies in recording and classifying their values, policies and procedures regarding issues like treatment of employees, the environment, consumer safety etc. Many studies regarding code of conduct have been conducted, researching its content or its relationship with ethical behavior. However, there is no research focusing on the relationship between code of conduct and financial performance. The scope of the study is dual: First, to examine the existence of a code of conduct, its content, and certain aspects of it. Second, to investigate the relation between the use of a code of a conduct and financial performance at multiple levels (existence, content, years of compliance) bearing in mind that, not only the deployment of a code of conduct may affect the company´s financial performance, but that the company´s financial performance may also affect the deployment of a code of conduct. For the purposes of the study, a questionnaire- based survey was conducted and the results reflect the responses coming from the Internal Auditors or other executive managers of 50 publicly listed Greek companies. Greece was selected because first of all, we attempt to examine the case of a country under severe economic crisis, and secondly because, there is no legal framework imposing the use of codes of conduct, so any attempt by companies to use codes of conduct is voluntary.

2. Literature Review

Motive for the investigation of possible relation between social performance and financial performance of a company was an article by M. Friedman (1970) [13] who mentioned that the main goal of companies is to create profit and only that. Locke E. (1996) [20] mentioned, that the only group of interest that a company must be accountable is shareholders. Since then, many researchers were interested in and investigated possible relationship between social performance and financial performance of a company. Results were directed at every possible direction: positive relationship (Abu Bakar and Ameer 2011 [1]), Oeyono et al. 2011 [23], Wokutch and Spencer 1987 [32], Riahi- Belkaoui 1992 [25], Ingram 1978 [16]), negative relationship (Bromiley and Marcus 1989 [5], Davidson, Chandy, and Cross 1987 [9], Wier, 1983 [31], Davidson, Worrell 1988 [10]) and no relationship (Cochran and Wood 1984 [8], Friedman and Jaggi 1982 [15]).

Code of conduct can be considered as an instrument formalizing a “corporate culture” (Barmeyer and Davoine 2011) [3]. Provides, either guidance or regulations regarding ethical decisions, and can be seen as a practice with which companies wish to transfer to employees and stakeholders. Relationship between employees and company is theoretically improved through increased number of retained employees who develop a stronger commitment and are striving to make the company successful. Although, we can see that results of researchers regarding codes’ of conduct content have deviations. This is logical since codes of conduct are being used as a tool for companies only the last years (Fleege and Adrian 2004 [12]). Stevens (1994) [28] conducted a meta- analysis regarding codes’ of conduct content and observed that codes were focusing on the possible outcomes unethical practices may have at company’s profitability, without expressing real interest at social responsibility issues. Hot topics were conflicts of interest and compliance with laws and regulations, while topics like health and safety at workplace, quality of products and services and protection of environment were less hot at codes of conduct. Moreover, differences at codes’ of conduct content we observe also among countries. Langlois and Schlegelmilch (1990) [19] for example, observed that European companies tended to focus more on topics that included all groups of interest, while US companies’ codes of conduct were focusing on topics that affected the company’s operations. Bondy *et al*. (2004) [4] analysed the differences between codes' of conduct content of Canadian, German and UK companies. According to their research codes of conduct of Canadian companies tended to focus more on topics like workplace environment, company's management, German companies on corporate governance issues and UK companies on topics that included all groups of interest. An interesting research was conducted by Kaptein (2004) [17], who focused on companies with multinational activities. He used a sample of 53% out of the total 200 biggest companies of the world which complied with a code of conduct and concluded that more than half of the companies were including in their code topics related with the quality of products and services, the protection of the environment and compliance to laws and regulations.

The relationship between codes of conduct and ethical behaviour has been extensively examined by researchers, whose results were controversial. Adams, et al. (2001) [2], after a research they conducted concluded that employees working at companies which complied with a code of conduct, considered themselves more ethical in comparison with their colleagues at companies which did not comply with a code of conduct, while at the same time, they felt that company provided them with more support at ethical dilemmas. Somers (2001) [27], concluded that employees working at companies which complied with a code of conduct tended to be more committed, and respectively with less mistakes during their work in comparison with their colleagues at companies which did not complied with a code. Stohs and Brannick (1999) [29], using a sample consisting of executive directors, observed a positive relationship between compliance to a code of conduct and ethical behaviour, and more specifically that when an ethical dilemma arises, executive directors referred to code of conduct to solve it. McKinney et al (2010) [22], concluded that employees at firms with code of conduct are less likely to accept ethically questionable behaviour.

On the other hand, there were plenty of researches that showed no particular relationship between code of conduct and ethical behavior. Kish- Gephart et al. (2010) [18] for example, at a meta- analysis they conducted, concluded that the existence of a code of conduct has no impact, at least detectable, on unethical choices. Clark and Leonard (1998) [7] using a sample of students of business administration concluded that codes of conduct are not capable of influencing their receivers, while McKendall *et al.* (2002) [21], concluded that codes of conduct had no influence at fines imposed by Occupational Safety and Health Act.

2.2 The Greek Case

Traces of the current crisis in Greece can be found back in 2008, where the collapse of Lehman Brothers took place. That collapse began a string of events that finally affected Greece's economy. Purpose of this research is not to recognize and analyse Greek crisis root causes. We only would like to focus on 2 points. First of all, Greek crisis, or its causes, like a virus has affected other countries with weak economic figures, and secondly the role of Greece in Eurozone and its importance due to its geographical position. All the above create a mixture that has to be analysed through ethical lenses, either macro economically (country level), or micro economically (company level).

Greece was selected as a sampling country for two main reason. First of all, because of the economic crisis is facing. Within this context, of particular interest might be inferences regarding ethics programmes implementation (such as codes of conduct) before or during the economic crisis, that literally has shrunk economic figures of the vast majority of the firms, and eventually comparison of the applied ethical practices of the firms operating in Greece compared with firms operating outside Greece (in particular Top 500 listed companies in US). Secondly, companies operating in Greece, have no legal obligation of applying code of conduct. So, a comparison of the ethical practices those companies voluntarily adopt, with ethical practices that companies which are obliged to fulfil ethical criteria based on legal obligations adopt (in particular Top 500 listed companies in US), might be useful.

Narrowing our insight from country´s selection justification to companies group that in our research we decided to include, we argue that the selection of the listed in Athens Stock Exchange companies took place for two reasons. First of all, because our model in based, on one side, to companies that are listed in US Stock Exchange, so a comparability principle is fulfilled by selecting listed companies as well. Secondly, code of conduct is mostly under corporate governance section, so applied corporate governance practices are mostly visible at listed companies, especially when legal frameworks oblige compliance. Redirection of our research to non listed companies, is in our research plans, especially for companies operating in Greece, where the majority of the companies are not listed.

3. Methodology

The scope of the present study is dual: first to record the established status in Greek listed companies regarding the development and application of code of conduct and of its structure. Secondly the study attempts to explore the interrelation between the use of a code of conduct and of financial performance of firms. Although, several studies have been conducted on the possible relation between corporate social responsibility and financial performance, none has –to the best of our knowledge- addressed the role of code of conduct in financial results.

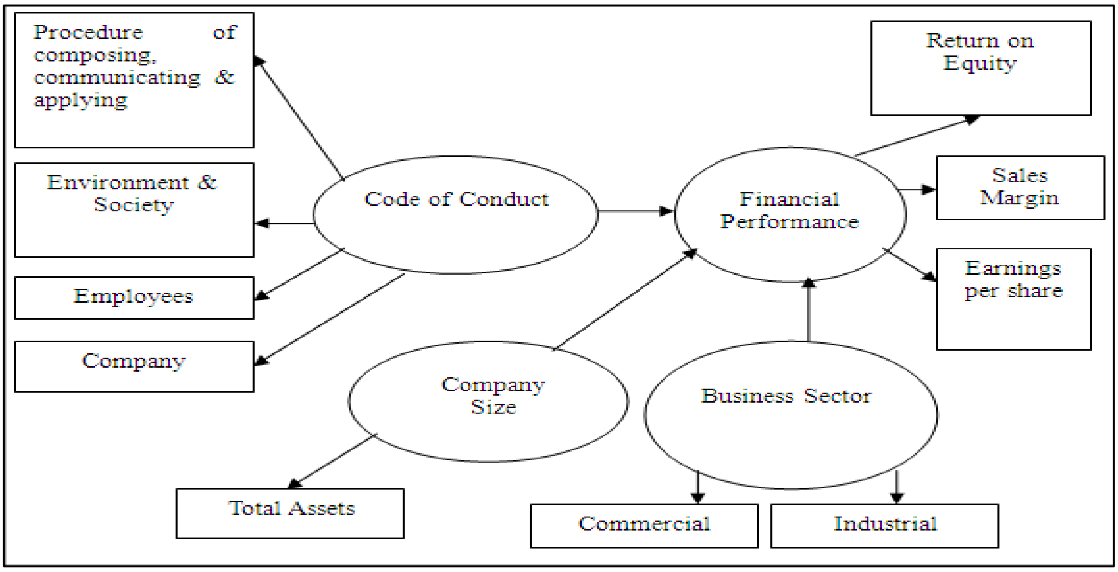
For the purposes of the study a questionnaire-based survey has been conducted. The questionnaire was sent to all retail and manufacturing companies listed in the Athens Stock Exchange at 2014 excluding those whose stocks were under suspension. The questionnaire was addressed to either the Internal Audit Manager of the company, or the CEO or CFO. The questionnaire was eventually sent to 197 companies and 50 completed questionnaires were received, representing a response rate of approximately 26%. A t-test that was used to compare early and late respondents revealed the non-existence of statistically significant differences.

The development of the questionnaire was partly based on the studies of Dwyer and Madden (2006) [11] and Wood and Callaghan (2002) [33]. The questionnaire was structured in such a way so as depending on whether the firm complied with a code of conduct or not, the respondent was directed to a different set of questions. For those firms that complied with a code of conduct the questions related among others to the items their code covered and the procedures that were set up to pursue compliance with the code. While the respondents from companies that did not apply a code of conduct were asked regarding the alternative procedures to the code they had developed, the reasons for non compliance, and whether they planned to develop a code of conduct in the near future. Independent of whether their firm complied with a code of conduct or not, all respondents were asked to rate several statements regarding the relation of the code and the firm’s financial performance.

Furthermore, in order to assess the role of the existence and application of a code of conduct on a firm’s financial performance a model has been developed. This model builds on the work of Peters and Mullen (2009) [24] that focused on the relationship between corporate social responsibility and financial performance. Their methodology is expanded in the case of the code of conduct. For the purposes of the present study, three commonly used financial ratios are used to measure financial performance: return on equity (ROE), sales margin and earnings per share (EPS). To measure the impact of the code of conduct on this relationship, firstly we categorized the topics that the 500 largest -in terms of turnover- listed companies in

US include in the code they comply with (The Ethisphere Institute, 2014 [30]). The categorization of the above topics was made in a way similar to that of Stohs and Brannick (1999) [29]. More particularly, four categories were developed: (1) topics that affect the firm (i.e. "Company"), (2) topics that affect the employees (i.e. "Employees"), (3) topics that affect the environment and society (i.e. "Environment and Society") and (4) topics that affect the procedure of composing, communicating and applying the code of conduct (i.e. "Procedure"). Then, measure the impact of these topics was measured based on the scores granted from the respondents' rating on a 1-5 Likert scale on the significance of each of the four categories for their firm. We developed a dummy variable taking the value 0 for low significance (rates 1 and 2 in the Likert-scale) and the value 1 for 'high' significance (rates 3, 4 and 5 in the Likert scale). Other factors that were taken into consideration were the size of the firm, where total assets were used, and the business sector (retail or manufacturing). The following figure illustrates the model:

Figure 1. The model used to evaluate the relationship between code of conduct and a firm's financial performance.



4. Results

From the responses it turned out that 27 of the 50 companies (54%) of the sample comply with a code of conduct. Moreover, it appears that manufacturing firms are more concerned with issues of conduct. Table 1 provides further details on the sample.

Table 1. Compliance or non-compliance with a code of conduct

Code of conduct	Retail (N)	Retail (%)	Manufacturing (N)	Manufacturing (%)	Total (N)	Total (%)
Yes	11	42,3	16	66,7	27	54,0
No	15	57,7	8	33,3	23	46,0
Total	26	100,0	24	100,0	50	100,0

Next, we will present separately the results regarding the companies that comply with a code of conduct and those that do not.

4.1 Companies complying with a code of conduct

The majority of the compliant companies (52%) has their code of conduct in effect for at least six years, while the rest 48% between 1 to 5 years. Moreover, the majority of the firms appear to be quite regular in revising their code of conduct (Table 2).

Table 2. Code of conduct revision regularity

How regularly do you revise the code?	1		2		3		4		5	
	N	%	N	%	N	%	N	%	N	%
	3	11,1	3	11,1	8	29,6	8	29,6	5	18,5

1-5 Likert scale (where 1: Not very regularly, 5: Very regularly)

The more common ways these firms use to inform their employees about the code of conduct is upon their commencement of employment (in 13 companies), through presentations in the company (in 10 companies), and through e-mails or newsletters (in 7 companies), while 6 companies, even though they comply with a code, they have no official procedure to inform employees about its existence and content.

In case the employees need help regarding issues covered by the content of the code of conduct, 18 companies have authorized personnel, 4 have also developed a special phone line, and 4 use written reports. 8 companies do not have any procedure for such purposes. At the same time the developed procedures through which the employees can report an incident of the code violation include the existence of authorized personnel in 21 companies, a special phone line in 6, and written reports in 5 companies. Yet, 6 companies do not have any procedure. According to the respondents views the existence of procedures through which employees could be directed in issues regarding the code of conduct, as well as procedures through which employees can report incidents are very important (Table 3).

Table 3. Significance of procedures for directing personnel and for reporting incidents of violation

	1		2		3		4		5	
Procedures for:	N	%	N	%	N	%	N	%	N	%
Directing employees	2	7,4	-	-	8	29,6	5	18,5	12	44,4
Reporting violations	-	-	2	7,5	3	11,1	11	40,7	11	40,7

1-5 Likert scale (where 1: Not very significant, 5: Very significant)

In cases where there is violation of the code, the majority of the companies (20) choose mild disciplinary measures in the form of warning. Some of them (12 companies) proceed in making also a record on the employees file, while 14 companies might also choose hard disciplinary measures as for example termination of employment. To the respondents view the importance of having disciplinary measures is very high (Table 4).

Table 4. Significance of disciplinary measures

1		2		3		4		5	
N	%	N	%	N	%	N	%	N	%
2	7,4	2	7,4	5	18,5	11	40,7	7	25,9

1-5 Likert scale (where 1: Very low, 5: Very high)

After having an overall picture of the status in the firms that comply with a code of conduct, the structure of it was examined. The respondents were asked to indicate the topics included in their code of conduct choosing from a list that was based on the list of topics used by the 500 largest US companies (The Ethisphere Institute, 2014 [30]). These topics were moreover categorized in the four groups of issues regarding "Company", "Employees", "Environment and Society" and "Procedure". Table 5 presents the topics regarding the operation and protection of the company ("Company") that the firms include in their code of conduct.

Table 5. Code of conduct topics regarding the operation and protection of the company

	Retail		Manufacturing		Total	
	N	(%)	N	(%)	N	(%)
Policy on proper use of corporate resources	8	10,3	12	10,2	20	10,3
Policies and procedures for internal controls	9	11,5	11	9,4	20	10,3
Policies regarding the protection of personal data	7	9,0	10	8,5	17	8,7
Policies regarding transactions with related parties	7	9,0	8	6,8	15	7,7
Policies regarding conflicts of interest	5	6,4	10	8,5	15	7,7
Authorization for expenditures accounting, internal controls policy	5	6,4	8	6,8	13	6,7
Policies regarding intellectual property of the company	5	6,4	8	6,8	13	6,7
Policies on the quality of the products and services	6	7,7	7	6,0	13	6,7
Policies regarding whistleblowing procedure	4	5,1	7	6,0	11	5,6
Social media policy	4	5,1	7	6,0	11	5,6
Facilitating payments policy	3	3,8	7	6,0	10	5,1
Communicating with the Press policy	3	3,8	3	2,6	6	3,1
Political activity policy	3	3,8	3	2,6	6	3,1
Money laundering policy	1	1,3	4	3,4	5	2,6
Appointment of Compliance Officer	3	3,8	2	1,7	5	2,6

Antitrust policy	1	1,3	3	2,6	4	2,1
Trade policy	1	1,3	3	2,6	4	2,1
Hotline, Helpline available in other languages	1	1,3	2	1,7	3	1,5
Policies on immigration	1	1,3	1	0,9	2	1,0
Non-retaliation policies	1	1,3	1	0,9	2	1,0
Policies on anti- boycott	0	0,0	0	0,0	0	0,0
Appointment of foreign official	0	0,0	0	0,0	0	0,0
Total	**78**	**100,0**	**117**	**100,0**	**195**	**100,0**

The most common verses included at the firms' code of conduct are those which relate to policies on the proper use of corporate resources, internal controls, protection of personal data, transactions with related parties, conflicts of interest, the quality of the products and services, and intellectual property. In contrast, few companies choose to include in the code of conduct, the appointment of the Director of Compliance, non-retaliation policies, the appointment of "foreign official", policies on immigration and on anti- boycott.

The next category refers to topics relating to the company's employees (Table 6).

Table 6. Code of conduct topics regarding the employees

	Retail		Manufacturing		Total	
	N	(%)	N	(%)	N	(%)
Policies on inside information	10	40,0	13	39,4	23	39,7
Health and safety at workplace	9	36,0	12	36,4	21	36,2
Policies on avoiding bribery	6	24,0	8	24,2	14	24,1
Total	**25**	**100,0**	**33**	**100,0**	**58**	**100,0**

The vast majority of the respondents replied that their company's code of conduct includes verses on inside information, and on health and safety at workplace, while a 24% includes also verses on avoiding bribery.

Regarding the topics relating to environmental protection and society (Table 7) the vast majority of respondents (81.5%) replied that the code of conduct the company they work for complies with, include verses about environmental protection.

Table 7. Code of conduct topics regarding the environment and society

	Retail		Manufacturing		Total	
	N	(%)	N	(%)	N	(%)
Contains policies on environmental protection	10	83,3	12	80,0	22	81,5
Does not contain policies on environmental protection	2	16,7	3	20,0	5	18,5
Total	**12**	**100,0**	**15**	**100,0**	**27**	**100,0**

Finally, regarding the procedure of composing, communicating and applying the code of conduct (Table 8), the most frequently used topic is that of compliance measures in the event of breach of stipulations in the code (23% of companies), followed by subsections on explanations of the code (18%), topics related to the training of employees in the code (17%) and the letter by the Executive Director (15%). Contrarily, lower percentage rates raise the paragraphs concerning the exceptions of the code of conduct (3.1%), and the precaution of companies for separate code of conduct for senior managers (6.1%) and partners and third parties (7.7%).

Table 8. Code of conduct topics regarding the procedure of composing, communicating and applying the code

	N	(%)
Compliance measures in the event of breach of stipulations in the code	15	23,1
Explanations of the code	12	18,5
Policies on the training of employees in the code	11	16,9
Letter by the Executive Director	10	15,4
Frequently asked questions and Examples	6	9,2
Separate code of conduct for partners and third parties	5	7,7
Separate code of conduct for senior managers	4	6,1
Exceptions of the code of conduct	2	3,1
Total	**65**	**100,0**

The respondents were then asked to evaluate the importance their companies place on the four categories of content included in the code of conduct (Table 9).

Table 9. Significance the company places on the four categories of content of code of conduct

	1		2		3		4		5		Mean value	St. deviation
	N	%	N	%	N	%	N	%	N	%		
Company	0	0,0	4	14,8	7	25,9	12	44,4	4	14,8	3,59	0,931
Employees	0	0,0	3	11,1	7	25,9	12	44,4	5	18,5	3,70	0,912
Environment and Society	1	3,7	6	22,2	10	37,0	9	33,3	1	3,7	3,11	0,934
Procedure	1	3,7	5	18,5	7	25,9	11	40,7	3	11,1	3,37	1,043

1-5 Likert scale, where 1: Very low significance, 5: Very high significance

The categories which respondents consider more important were those related to the employees (mean value: 3.70) and the company (mean value: 3.59), followed by the procedure of composing, communicating and applying the code of conduct (mean value: 3.37), and to a lesser extent the environment and society (mean value: 3.11).

Noteworthy are the respondents' answers to the statement that the code of conduct has been drawn up with a view to enhancing compliance to relevant legal frameworks and the general protection of the company, where the majority of respondents agreed or totally agreed with the above statement.

Table 10. Evaluation of the goals of code of conduct

	Mean	Std. Deviation
Main activity of the company influences the strategic and the direction of the code of conduct	3,07	0,958
Code of conduct has been conducted in order to reinforce compliance and to protect the company	3,81	0,736
Code of conduct affects the relationships of the company with internal to it stakeholders (e.g. employees)	3,74	0,813
Code of conduct affects the relationships of the company with external to it stakeholders (e.g. society, vendors, competitors etc.)	3,93	0,675

4.2 Companies not complying with a code of conduct

As regards to the 23 companies that do not comply with a developed code of conduct, 74% of them (17 companies) are planning to do so in the foreseeable future. The most important reasons that were stated regarding their non compliance are the existence of other relative processes, the absence of specialized personnel and the view that the code of conduct will not be particularly useful to them. The relative procedures that are developed by these companies include written reports and reporting to authorized personnel.

4.3 Code of conduct and financial performance

Having drawn the overall status of code of conduct in the sample's companies, the remaining questions turned to the relationship of the code of conduct and firms' financial performance. The respondents were asked to express their personal opinion on a set of statements that referred to this relationship (Table 11). This set of questions was addressed to all the respondents regardless of whether their company complied, or not, with a code of conduct.

Table 11. The relationship between the code of conduct and financial performance

	1		2		3		4		5		Mean Value	St. Deviation
	N	%	N	%	N	%	N	%	N	%		
The **existence** of code of conduct **positively** affects a firm's financial performance.	0	0,0	4	8,0	15	30,0	25	50,0	6	12,0	3,66	0,798
A firm's financial condition affects the existence or not of a code of conduct	5	10,0	11	22,0	16	32,0	13	26,0	5	10,0	3,04	1,142
The **existence** of code of conduct is not **related** with a firm's financial performance.	5	10,0	21	42,0	13	26,0	8	16,0	3	6,0	2,66	1,062

	1		2		3		4		5		Mean	St.
The **employees' compliance** with the code of conduct **positively** affects a firm's financial performance.	0	0,0	4	8,0	18	36,0	21	42,0	7	14,0	3,62	0,830
The **employees' compliance** with the code of conduct is not **related** with a firm's financial performance.	6	12,0	23	46,0	12	24,0	7	14,0	2	4,0	2,52	1,015

1-5 Likert scale (where 1: Totally disagree, 5: Totally agree)

The majority of respondents consider that there is indeed a positive relationship between the existence of a code of conduct and financial performance of the company (3.66) as well as between the compliance of employees with the code of conduct and financial performance (3.62). From another perspective, the respondents quite agreed (3.04) with the statement that the existence or not of a code of conduct is affected by the firm's financial condition.

By conducting one-way ANOVA (independent sample) between the groups of respondents (complying and not complying with a code) no statistically significant difference on their responses was revealed. This was confirmed as well, by the conduction of non-parametric tests (Mann-Whitney U test).

Having some first evidence from the executives' responses the study proceeded into a more in depth analysis of this relationship by applying regressions based on the model presented before (see methodology section).

First the impact of the existence of a code of conduct on a firm's financial performance was examined. The following equation was tested:

$$\text{Financial performance} = a + \beta 1 * \text{Code of conduct} + \beta 2 * \text{Total Assets} + \beta 3 * \text{Sector} + \varepsilon \qquad (1)$$

The regression was performed three times, one for each of the three financial ratios (ROE, Sales Margin and EPS). "Code of conduct" is a dummy variable receiving the value 0 for the companies that do not have a code of conduct and 1 for those that do have. The results, as shown at Table 12, did not reveal any statistically significant relation between the existence, or not, of a code of conduct and the financial performance of the company.

Table 12. Regression analysis results between code´s of conduct existence and financial performance

Dependent variable	Independent Variable- Control Variable	Sig.
ROE	Existence/ No existence of code of conduct	0,153
	Company Size	0,485
	Business Sector	0,719
EPS	Existence/ No existence of code of conduct	0,838
	Company Size	0,863
	Business Sector	0,114
Sales Margin	Existence/ No existence of code of conduct	0,170
	Company Size	0,251
	Business Sector	0,003

Next, the impact of the content of a code of conduct on financial performance was examined. For that purpose only the companies that complied with a code were tested on the relationship between each of the four categories of content defined earlier (i.e. topics that affect company, topics that affect employees, topics that affect environment and society and topics that affect the followed procedure of composing, communicating and applying the code of conduct) and the financial performance of the company. The following equation was tested:

$$\text{Financial performance} = \alpha + \beta 1\text{Procedure} + \beta 2\text{Company} + \beta 3\text{Employees} + \beta 4\text{EnvironmentSociety} + \beta 5\text{Total Assets} + \beta 6\text{Sector} + \varepsilon \quad (2)$$

Once again the equation was tested three times due to the three financial ratios used to measure financial performance. The variables “Procedures”, “Company”, “Employees” and “EnvironmentSociety” are used as dummy variables taking 0 in cases they were rated as of low significance for the firm (rated 1 or 2 on the Likert-scale), and 1 in the cases they were rated as significant (rated 3, 4 or 5 on the Likert scale). The results, as shown at Table 13, revealed no statistically significant relation between the significance of the four topics and financial performance.

Table 13. Regression analysis results between code´s of conduct content and financial performance

Dependent variable (ROE)		Dependent variable (EPS)		Dependent variable (Sales Margin)	
Independent Variable- Control Variable	Sig.	Independent Variable- Control Variable	Sig.	Independent Variable- Control Variable	Sig.
Company Size	0,503	Company Size	0,232	Company Size	0,371
Business Sector	0,476	Business Sector	0,675	Business Sector	0,032
Procedures	0,807	Procedures	0,867	Procedures	0,717
Company	0,865	Company	0,566	Company	0,449
Employees	0,958	Employees	0,741	Employees	0,180
EnvironmentSociety	0,850	EnvironmentSociety	0,176	EnvironmentSociety	0,933

Finally, the impact of the years a company has code of conduct in effect on financial performance was examined. For that purpose only the companies that complied with a code were tested (input was taken from a relevant question of the questionnaire) on the relationship between years of deployment a code of conduct and financial performance of the company. The following equation was tested:

$$\text{Financial performance} = a + \beta 1 * \text{Years of Code} + \beta 2 * \text{Total Assets} + \beta 3 * \text{Sector} + \varepsilon \quad (3)$$

Once again the equation was tested three times due to the three financial ratios used to measure financial performance. The variable "Years of Code" is used as dummy variable taking 0 in the cases code of conduct was in effect 1-3 years, and 1 in the cases code of conduct was in effect 4-10 years. The results, as shown at Table 14, revealed no statistically significant relation between the years of compliance to code of conduct and financial performance. It turns out that although the respondents believe that there is a positive relationship between the code of conduct and the firm's financial performance, the statistical analysis did not verify it.

Table 14. Regression analysis results between code´s of conduct years in effect and financial performance

Dependent variable (ROE)		Dependent variable (EPS)		Dependent variable (Sales Margin)	
Independent Variable- Control Variable	Sig.	Independent Variable- Control Variable	Sig.	Independent Variable- Control Variable	Sig.
Company Size	0,605	Company Size	0,285	Company Size	0,916
Business Sector	0,382	Business Sector	0,172	Business Sector	0,006
Years of Code	0,525	Years of Code	0,332	Years of Code	0,839

5. Discussion

The main conclusion from our research which was based on a questionnaire sent in listed in Athens Stock Exchange commercial and industrial companies is that marginally over half the companies comply with a code of conduct. Moreover, we note that companies which comply with a code of conduct belong either to the industrial or the commercial business sector, and the former sector to be involved with more companies.

An interesting observation is that 70% of companies which comply with a code of conduct, have it in place the minimum of four years, while 30% have it in place three years or less. If the above is combined with the fact that firstly, there is no legal obligation for compliance with the code of conduct, and secondly by the fact that the economic crisis that Greece is experiencing dating from 2010, we could conclude that the majority of companies did not have as a trigger for establishing and complying with a code of conduct the economic crisis with all that entails for the operation of companies, but they were complying with a code of conduct earlier the crisis, despite the fact that there was no legal obligation.

Moreover, 17% of respondents replied that there is no effective way of communicating the code of conduct, raising questions about the usefulness of a code, since although existed, the main recipients of the code ignore its contents because of absence of formal company procedures. Also, the fact that firstly, 24% of respondents answered that there was no formal procedure in the company through which employees seek help on issues related to the code of conduct, and secondly the fact that 16% of the respondents indicated there was no formal procedure for reporting incidents of violations of the stipulations in the code of conduct, along with high importance that took these two issues (the existence of consulting on the content of the code of conduct, and a system of reporting violations) by the respondents, creates a very logical connection with what we mentioned above, about the reason of having a code of conduct when it does not seem to be a priority of the company since is not communicated adequately and is not supported by additional procedures .

The respondents' answers to the form taken by the disciplinary procedures set in place by the company, in case of violation of code of conduct produce a significant conclusion. We observe that although respondents consider the existence of disciplinary procedures important provision of a code of conduct, with only 15% of respondents to consider it as a low significance topic, however companies choose mild forms of punishment, since 65% of them choose either the warning or the record in the file of an employee, and only 29% termination of employment. Combining the above we believe that, by the time employees in companies that comply with a code of conduct evaluate as important the existence of disciplinary procedures, and therefore approve such measures, companies, through their management, accepting it, if we assume that they know, prefer to engage in mild forms of punishment because there is a culture of acceptance and obedience in case of violation of the code of conduct. Similarly, a research of Callaghan *et al.* (2012) [6], which included a sample of the 500 largest companies in the US, Australia and Canada, found that over 90% of companies that have a code of conduct choose to enact measures violating the code of conduct, similar to those that apply the listed in the Athens Stock Exchange commercial and industrial companies, which made up the sample of our research. In particular, while for companies in our sample, termination of employment is often displayed as a third measure in the event of breaches of the code of conduct, at research of Callaghan *et al*. (2012) [6], termination of employment is the most frequently occurring measure in case of violation of the code.

The most important conclusion is that, based on respondents' answers, the topics included in a code of conduct which collect most of the respondents´ answers, are those related with the operation and protection of the company (57%), far ahead of the next category which are topics covering the procedures of composing, communicating & applying the code of conduct (19%). We observe that companies use the code of conduct as a document, a corporate procedure that seeks not providing welfare for society (even for the employees of the company who are part of this society) and creating a more social profiles, but the protection of the company expressed (probably) in financial terms, against issues that could harm the reputation, or the fulfillment of its purposes and objectives. But even so, company's dedication to protecting itself, with consequent its viability, favors parts of society as it creates conditions that are necessary for the society, e.g. giving work to people, providing services or selling goods . If we combine the above argument along with respondents' answers to the question that asked them to evaluate the significance of each of the categories of content of a code of conduct. we observe that employees of the companies consider as the most important category of content for codes of conduct that which includes topics regarding the employees of the company, followed by that which includes topics regarding the company, that which includes topics regarding the procedures of composing, communicating & applying the code of conduct and last that which includes topics covering environmental protection. Therefore there is a significant mismatch between how employees in a company evaluate each category of code of conduct and the actions of the company.

An interesting point is that among the small percentage of companies that choose to include the category which includes topics regarding the protection of the environment, industrial companies represent smaller proportion compared to commercial companies. So while reasonably be expected that companies which have greater impact to environment, because of their activity, be more sensitive to this issue, however there is a smaller percentage compared to commercial companies. This does not exclude the fact that industrial companies may implement policies to protect the environment, or to publish them in a document other than the code of conduct.

As far as the perceptions of respondents regarding the connection of the code of conduct with financial performance is concerned, respondents, regardless of whether they work in companies that comply with a code of conduct or not, consider that there is a positive correlation between compliance of a code of conduct and financial performance of the company, or in other words that the existence of a code of conduct causes improved financial performance of the company. It is worth to note that, with slightly differences, results between respondents who work in companies that comply with a code of conduct are consistent with those respondents who work in companies that do not comply with a code of conduct. On the other hand, from the results of the regressions it seemed that no relationship, either negative or positive, exists between codes of conduct and financial performance. In our opinion, such a result is reasonable taking into consideration the macroeconomic environment of Greece, and we refer to economic crisis. The current economic crisis has affected to such an extent the business within the Greek territory, and has shrunk so much the financials figures of companies, so any attempt to reallocate financial resources of companies in activities other than those associated with the main core of their existence has declined so much, that even companies that choose such allocation, will not devote financial resources capable to fulfill the objectives of their social actions. Communication of social actions of companies that choose to implement such, is of considerable importance for the success of these actions. If a company aims at providing selflessly at society, and simultaneously communicates it through the code of conduct to the recipients of the latter, it makes sense financial performance not to be affected either positively or negatively to a degree capable to be captured from the selected financial ratios. Similarly, results in our research would have and the case of a company which has set as criterion of social actions, both to provide to the society and to increase its profitability, and simultaneously communicated these criteria to the code of conduct. Therefore, given the decline of financial figures due to economic crisis, and also given the difficulty of financial ratios to capture small reallocations of financial elements of companies, results of the regression equations which showed the lack of relationship between the code of conduct and financial performance are rational.

As an important point of reference, given the lack of similar researches that are linking codes of conduct with financial performance, we find similar results from other studies which deal with the connection of corporate social responsibility with profitability. The reason for this choice lies in the strong interface codes of conduct have both with corporate governance and corporate social responsibility, in terms of that the code of conduct is a tool for management both for management issues and for issues of social awareness (when management of companies will apply any program of provisions to society). Therefore, the findings of our research are in alignment with those of Simerly (1994) [26], Friedman and Jaggi (1986) [14], who, using different criteria for measuring corporate social responsibility and financial performance, both among themselves and in comparison with those which we have used in this research, did not discover the existence of correlation, either positive or negative between corporate social responsibility and financial performance. Moreover, we must not overlook the fact that our results are in accordance with the initiator of the debate on the relationship between corporate social responsibility and profitability, the economist Friedman M. (1970) [13], in an article had mentioned that companies have no obligation to implement policies and programs of social responsibility, as their main purpose to which they must devote all their resources is to create profit. The results of our research confirm that there is no relationship between corporate social responsibility, as measured with the use of codes of conduct and the financial performance of companies, at least as significant to contradict what

Friedman has recorded in the aforementioned article.

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