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CORPORATE ETHICAL POLICIES IN LARGE CORPORATIONS IN ARGENTINA, BRAZIL AND SPAIN

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CORPORATE ETHICAL POLICIES IN LARGE CORPORATIONS IN ARGENTINA, BRAZIL AND SPAIN

Abstract

This paper examines the status of Corporate Ethical Policies (CEP) in large companies in Argentina, Brazil and Spain, with a special emphasis on Corporate Ethics Statements (CES), documents that define firms' philosophy, values and norms of conduct. It is based on a survey of the 500 largest companies in these nations.

The findings reveal many similarities between the three countries. Among other things, it emerges that most companies give consideration to ethics in business and have adopted some kind of formal or informal ethical policies. Whether or not they have a CES, companies agree that ethical conduct must be taken into account when selecting, appraising and promoting personnel, as an important ethical policy. There is a growing tendency to draw up formal corporate ethics documents. These documents are perceived, first and foremost, as supporting the development of corporate culture. The philosophical grounding of these documents is to be found mainly in human virtues, generally accepted social values and universal ethical principles. Most respondents believe that primary responsibility for ethical issues in the company rests with the CEO. Finally, the findings indicate that most companies that devote substantial resources to communicating and implementing CESs have two or more formal ethics documents.

The main differences between the countries included in the study concern the emphasis given to certain aspects, such as avoiding misconduct or taking ethical criteria into account when selecting personnel. The emphasis is greatest in countries where corruption seems most prevalent.

Key words: Codes of Conduct, Values Statement, Business Ethics Policy, Institutionalization of Business Ethics, Argentina, Brazil, Spain.

CORPORATE ETHICAL POLICIES IN LARGE CORPORATIONS IN ARGENTINA, BRAZIL AND SPAIN

Introduction (1)

Over the last two decades, there has been a growing interest in developing and implementing Corporate Ethical Policies (CEP) in order to foster ethical conduct among managers and employees¹. According to Brooks (1989), the factors underlying the growing interest in business ethics policies include: the widespread mistrust of business activities; the demand for a better standard of life in line with people's expectations; the requirement that executives not act solely for their own benefit; the awareness of companies' increasing power and the need to regulate the activities of certain interest groups; greater public interest in these matters and a greater awareness of them; and a change in perspective that argues against reducing the goal of business to the short-term maximization of profit. Beyond these influences, there is the fact, known since Aristotle, that ethics is part of every human action, and that recognizing this fact helps to humanize business activity.

At the core of any CEP lie certain corporate documents (corporate creeds, mission and values statements, business principles and similar texts) that define the firm's philosophy and values and/or a code of conduct setting out rules for dealing with certain business dilemmas or special issues that may arise in the workplace. These documents, which generically can be called Corporate Ethics Statements (CES), are like a compass for the company, guiding it in the practices that lead to good ethical behavior. A CES usually goes hand in hand with a process of communication and appropriate training, as well as other support measures.

According to Nash (1992), the introduction of ethical practices in firms tends to be triggered by events such as a scandal, the appointment of a new Chief Executive Officer, the retirement of a founder or the introduction of new legislation. There may be other reasons, but the important thing is that the institutionalization of ethics in business, and more specifically the development and implementation of CESs, has become a significant social phenomenon in many business corporations. It started in the United States and then spread to Europe, Canada and Japan². More recently, this practice has reached Latin America.

There is an extensive literature on CESs, mainly on corporate values and codes of ethics (Chatov, 1980; Cressey and Moore, 1983; Matthews, 1987; Molander, 1987; Weller, 1988; Brooks, 1989; Benson, 1989; Osborne, 1991; Ryan, 1991; Dean, 1992; Weaver, 1993; Murphy, 1989, 1995, among many others) and on other aspects of corporate ethical policies (Cash, 1987; Andrews, 1989; Center for Business Ethics, 1992; Brenner, 1992; Kaptein and Wempe, 1998; Driscoll and Hoffman, 2000; McDonald, 2000, etc.).

There are also publications on the spread of CEPs and, more specifically, codes of conduct and other CESs in particular countries. Large US companies have been studied by

White and Montgomery (1980), Berenbeim of the Conference Board (1987, 1992), the Center for Business Ethics (1986, 1992), Sweeny and Siers (1990), Murphy (1995, 2000) and Weaver, Treviño and Cochran (1999a). Schlegelmilch and Houston (1989) study corporate codes of ethics in large UK companies, while Kaye (1992) does the same for Australian corporations and Snell et al. (1999) for corporations in Hong Kong. Lefebvre and Singh (1992) analyze Canadian corporate codes of ethics, while Lindsay et al. (1996) survey how Canadian companies are instilling ethical policies. Melé et al. (2000) report the results of a survey on CEPs in large Spanish companies and Arruda (2001) offers a comparative analysis of the contents of Brazilian codes of ethics.

Other scholars have carried out comparative studies of codes of ethics and other CESs in different countries. Schlegelmilch (1989) compares the UK and the USA, while Langlois and Schlegelmilch (1990) compare the USA and three European countries (Britain, France and West Germany). Berenbeim (1992) compares the diffusion of codes of ethics in US, European and Canadian firms. Wood (2000) presents a cross-cultural comparison of the content of codes of ethics in the USA, Canada and Australia. Guillén et al. (2002) analyze several differences in large Spanish companies that have headquarters in either the USA or Spain.

Similar studies for Latin America are very scarce, whether on individual countries or making comparisons between countries. The purpose of this paper, therefore, is to help to fill this gap by studying and comparing the current state of implementation of corporate ethical statements in large companies in one European country, Spain, and the two largest countries in South America, Argentina and Brazil.

The paper presents a research project based on a survey of the 500 largest companies in these countries. It starts with a brief overview of the socioeconomic and cultural context and the methodology employed. Then, the main findings are described and discussed.

Socioeconomic and cultural context

Argentina and Brazil, on the one hand, and Spain, on the other, have certain common cultural roots for historical reasons, but the socioeconomic and cultural context in each country today is quite different. In all three, most of the population is nominally Roman Catholic, although only a minority practise regularly. In spite of this Catholic tradition, people are not very aware of the Catholic church's teaching on business ethics and social issues.

a) Argentina

Argentina has an area of more than 2.7 million sq. km. and a population of 38 million people. After achieving independence from Spain in 1816, it opened up to massive immigration from Europe, mainly between 1860 and 1930³. This was a crucial period for the country's social and cultural development. In fact, this massive immigration has given Argentina its own distinctive physiognomy within the ethnic panorama of Latin America.

The recent political history of Argentina began with a long period of authoritarian Peronist rule after World War II. In 1976 a military junta took power and in 1983 democracy was restored. The market reforms of the 1990s attracted foreign investment, which brought not only a modern infrastructure but also the inefficiencies of private monopolies. Only a few Argentinian companies were able to withstand the fierce competition; that is why so many of them have ended up in foreign hands⁴. The presence of foreign capital in the top 500 companies in Argentina increased from 46% to 65% between 1993 and 2001 (INDEC, 2001).

Argentina has the fertile plains of the Pampas, substantial mineral resources and a well-educated people. In the last few decades, however, it has gone through one crisis after another, with serious inflation, a huge external debt, capital flight and budget deficits. Today's socioeconomic context is marked mainly by the deep crisis, which has led to the collapse of economic activity and a dramatic fall in the annual rate of growth (−0.8% in 2000, −4.4% in 2001 and −11.1% in 2002).

The economic situation worsened in 2001, with massive withdrawals from banks and a general lack of confidence among consumers and investors. The pegging of the peso to the dollar, adopted in 1991, was abandoned in January 2002 and the peso has floated ever since (at present, the exchange rate is about 1 dollar = 3 pesos), while the rate of inflation has gone up rapidly. Fortunately, from mid-2002 the economy stabilized, albeit at a lower level. This situation has had a major impact on the labor market, with unemployment rising to 17.8% (2.5 million people out of work), with untold consequences for Argentinian society (INDEC, 2002). The current GDP per capita is about \$3,470.

More economic and financial variables could be given to illustrate the gravity of the crises. However, to discover the causes of today's problems we need to look beyond a purely economic or political analysis. In our view, the key lies in Argentinian culture, a distinctive aspect of which is the absence of any awareness of being part of a whole. As a result, other deficiencies arise and influence the way companies are run. Among other things, there is a tendency towards individualism, unwillingness to engage in teamwork and a lack of trust in people. All of this means that while Argentinian citizens may be successful individually, if they do not behave more cooperatively, society does not benefit from their qualities and potential.

Also, all too often laws have been made not with a view to building strong institutions but to satisfy the needs and wishes of those in power. This and other reasons may explain why Argentinians have such little respect for the law. This has a detrimental effect not only on individuals but also on institutions⁵. It is hardly surprising, therefore, that Argentina should have a high rate of corruption⁶. In fact, corruption pervades all levels of society and all institutions, in various forms: privileges, favoritism, cronyism, bribery, and so on. It is endemic, deeply embedded in all structures of public and social life.

One of the authors of this article (Debeljuh), based on her knowledge of Argentina, has no doubt in affirming that corruption pervades all levels of society and all institutions in various forms: privileges, favoritism, cronyism, bribery, and so on. It is endemic, deeply embedded in all structures of public and social life. She thinks that, in this context, personal effort and merit are often pushed aside by opportunism, which slowly undermines the foundations of a healthy work culture. The Argentinian expression "viveza criolla" (Creole shrewdness) encapsulates a way of life characterized by making the least possible effort, ignoring the law and seeking individual advantage over any other interest. Throughout history, politicians have acted as accomplices to this tendency by accepting gifts in return for political favors. In addition, there is a widespread assumption that it is the State's responsibility to solve problems that could be better dealt with by determined and committed citizens.

Companies are not unaffected by this context. Argentinian cultural values influence the way ethics is understood in organizations. Codes of conduct frequently stumble on the tendency to ignore established standards, which are seen as mere instruments to give the appearance of a commitment to ethics. It is fair to say that ethics is an issue in companies not because it is linked to an Argentinian idiosyncrasy, but due to the influence of multinational companies.

After many years of populist governments, the current crisis is bringing about a change in civil society. People no longer expect everything from the State, a sense of solidarity

is starting to emerge and society is calling for stricter ethical standards⁷. Simultaneously, high unemployment, increasing poverty and the incapacity of the State to provide social assistance have forced companies to play a more prominent role in society. Some research has confirmed this trend (Paladino and Mohan, 2002; Luna and Serrano, 1994; Berger, 1998). In recent months, charitable activities and organizations have increased, and companies have started to forge closer relationships with the communities they operate in⁸.

b) Brazil

Brazil is the largest and most populous country in South America, with an area of 8.5 million sq. km., 176 million inhabitants and vast natural resources. Its per capita Gross Domestic Product is about \$2,800 and it has a reasonable annual growth rate (4.4% in 2000, 1.4% in 2001 and 1.5% in 2002; the lower growth in 2001 and 2002 was due to the international economic situation). Inflation, which was exorbitant for many years, is now about 8%. According to most economists, Brazil has enormous potential and, in fact, is the leading economic power and regional leader in South America.

Brazil became an independent nation in 1822 after centuries under Portuguese rule. In 1889 it became a republic, although the country's socio-political background could hardly be considered democratic until recently.

In 1964, a 20-year dictatorship began with the establishment of a military government. The lack of freedom and of incentives for education made Brazilians less demanding in many respects.

Serious cultural and wealth disparities very often led the population to find illegal solutions for simple difficulties. Traditionally, this is what in Portuguese is called the *agrado*. Literally, an *agrado* is a thoughtful gesture such as a bunch of flowers or a gift as an expression of gratitude. What in practice is understood by *agrado*, however, is a sum of money to get a problem sorted out faster and to the giver's satisfaction, avoiding long queues, for example. This may have been the origin of the custom of bribery, which is quite widespread in Brazil.

For many years, it was easier to achieve goals by corrupt means than through honesty and competence. Unfair practices were seldom punished and a social and moral disorder became common in the country.

Government procedures were often so slow that managers and companies started to use the same expedient. Corruption spread throughout the country at all social, economic and cultural levels.

Dissatisfaction was subtly communicated through the national press, literature, music, theater and movies. Politicians seemed unable to change either the regime or the system, until Fernando Collor was elected President of the nation in 1992. In his speeches he showed a deep concern for integrity and moral conduct, but his actions seemed to go in another direction. In the end, after an impeachment process he was expelled from the government.

During the 1960s the internationalization process of many foreign companies became more intense. Many multinational companies set up subsidiaries in developing countries, including Brazil. This brought a new way of doing business and some of the subsidiaries introduced codes of ethics to prevent customs and behavior that were not aligned

with their parent company's values and practices. Some of them, however, caused deforestation in the Amazon Basin, destroying the habitat and endangering a multitude of plant and animal species indigenous to the area.

Brazil now has serious environmental problems, including land degradation, water pollution caused by inappropriate mining activities, wetland degradation and severe oil spills. However, a growing environmental awareness and some international agreements seem to be moving the country in the right direction.

Corruption –always so very difficult to measure– seems to be on the wane as well⁹. Several governmental agencies and departments have started to develop ethics programs and have introduced technological tools to avoid misconduct, thus enabling an increase in tax collection. In addition, the President of the Republic established special legislation, including a code of ethics, for all civil servants in Brazil.

At the same time, in Brazil, as in other Latin American countries (Arruda, 1997), interest in business ethics has been increasing in academia, companies and government¹⁰. Centers and associations for business ethics have been created and the Brazilian Ministry of Education strongly recommended that business ethics be made a mandatory course in all Brazilian business schools. Some companies also started to include business ethics in their recruitment and training programs for managers. The press has cooperated in this effort by creating rankings of companies displaying special values.

Nowadays, there is a significant effort to create codes of ethics in Brazilian organizations. One of the reasons for this is that, due to the devaluation of the real (Brazilian currency) some years ago, Brazilian companies became very attractive to international business and investments. Given the high level of corruption, Brazilian companies can only be considered trustworthy suppliers to foreign customers if they demonstrate a commitment to ethics (e.g. by implementing ethical programs). Having a code of ethics has become a requirement as well.

c) Spain

With about 40 million inhabitants and an area of more than 500,000 sq. km., Spain is a member of the European Union and, like other countries in Western Europe, is highly industrialized and has a large services sector, although agriculture is still quite significant. After the Spanish civil war (1936-1939), Spain remained under General Franco's authoritarian regime up to 1975. Democracy arrived with the adoption of a new Constitution in 1978, which established a parliamentary monarchy. Economic development started in the sixties and received fresh impetus in 1986 when Spain became a member of the European Economic Community. Today, Spain's GDP per capita is close to \$21,000, equivalent to 80% of that of the four leading West European economies. As a consequence of privatizations, mergers and acquisitions, and the establishment or consolidation of well known transnational companies, a great number of large companies now operate in Spain.

The family has a prominent role and is central to Spanish life. After several years of welfare state, civil society is relatively underdeveloped in terms of social initiatives; and membership of associations, political parties and unions is lower than in other countries that are close to Spain politically. However, there is a growing interest in voluntary work, and the number of NGOs is increasing, although Spanish NGOs are not as active in relation to business activities as they are in other Western countries.

People have a strong sense of friendship and are quite sensitive to social issues and anything that demands solidarity. With democracy, certain values relating to individual freedom, such as tolerance, autonomy, awareness of one's own and others people's rights, have increased. As in other Latin countries, respect for the law is not as strong as in Anglo-Saxon and Scandinavian countries. People are more concerned with legitimacy than with legality. The problem is that, all too often, legitimacy becomes purely subjective or is understood as "whatever other people do". Sometimes, this attitude has repercussions, for instance in tax evasion, lack of compliance with the law, or the presence of the underground economy in certain industries.

At the end of the eighties and the beginning of the nineties, there were some spectacular cases of corruption, but fortunately there have been fewer of them in the last few years. Accordingly, in the TI Corruption Perceptions Index Spain jumped from 4.31 in 1996 to 7.1 points in 2002, and its position in the country ranking went from 32nd to 20th (Transparency International, 1996, 2002).

In spite of some troubles and ambiguities in the past, business ethics in Spain is making progress (Argandoña, 1999). Even though many problems remain, there is now a group of academics working in this field. Also, many managers are now more sensitive to corporate ethical issues and the social responsibility of business, and so is part of the mass media and public opinion.

Methodology

a) Instrument

The questionnaire used for our survey was drafted and tried out on a pilot sample of 25 executives and then subsequently improved. A lot of detailed, helpful comments were received. The end result was a written list of 16 questions which could be completed in approximately 10 minutes. Some of the questions had single answers while others had multiple answers¹¹. The aim was to maximize the possibility of multiple responses and guarantee the quality of their content. Each questionnaire was posted to the CEO or some other top executive (generally the director of Human Resources)¹². A letter was attached to the questionnaire explaining the nature of the research and assuring confidentiality of the responses and any information disclosed.

b) Sample

We chose the 500 largest companies in each country as our sample, taking different data bases into account. The selection criterion for size was the number of employees, since we thought that, in business ethics, people were the most relevant factor.

Several companies were excluded on the grounds that they were not commercial enterprises. Government bodies, educational and social services, mutual and national health organizations, for instance, were not included. Assuming that there were no significant differences among companies belonging to the same group, we decided to take company groups as single entities (e.g. the Telefónica Group, which includes several companies, was treated as a single company for the purposes of our survey). So, in Spain, although the questionnaire was sent to 500 companies, it actually covers the 590 largest Spanish

commercial companies ranked by number of employees. By the same criterion, in Argentina the survey covers the 555 largest Argentinian commercial companies ranked by number of employees, and the 500 largest in Brazil.

In Spain, we used the Dun & Bradstreet Marketing data base, which has information on more than 700,000 companies. In Argentina, the selection was made from two data bases that are widely used in the country: *La Guía VIP*, edited by Comunicaciones Públicas S.A., and the day-to-day list of the “1000 Leading Companies” published by *Prensa Económica*, a well-known and widely read magazine specializing in this kind of study. In Brazil, the Exame Maiores e Melhores ranking of the 500 largest Brazilian companies was the chosen source of information¹³. The survey was carried out in 2000 in Spain, in 2001 in Argentina and in 2002 in Brazil. Table 1 shows the structure of the sample.

Table 1. Number of corporations (ordered by number of employees) and responses obtained
(Percentages in brackets)

Number of employees	ARGENTINA		BRAZIL		SPAIN	
	Corporations	Responses	Corporations	Responses	Corporations	Responses
> 20,000 – 10,000	11 (2.0)	5 (45.5)	27 (5.4)	8 (29.6)	17	13 (76.5)
9,999 – 5,000	14 (2.5)	9 (64.3)	51 (10.2)	18 (35.2)	29	16 (55.2)
4,999 – 2000	54 (9.7)	12 (22.2)	127 (25.4)	30 (23.5)	118	24 (20.3)
1,999 – 1,000	88 (15.9)	25 (28.4)	111 (22.2)	18 (16.2)	231	40 (24.3)
999 – 500	163 (29.3)	29 (17.8)	74 (14.8)	11 (14.8)	195*	13 (6.7)
499 – less	225 (40.5)	46 (20.4)	55 (11)	9 (16.3)	-	-
n/a	-	-	-	6 (10.9)	-	-
Total	555 (100)	126	500	100	590	106

c) Description of the respondents

In Spain we received 106 responses (21.2% of the sample); in Argentina, 126 (25.2% of the sample); and in Brazil, 100 (20% of the sample). These response levels are similar to those obtained in other studies of this kind carried out in other countries.¹⁴

In Spain, the respondent was either the President or General Manager (32.1%), the Director of Human Resources (20.8%), the Director of Corporate Communications (13.2%) or some other senior manager. In Argentina, President or General Manager (7.2%), Director of Human Resources (84.1%) or some other senior manager. And in Brazil, President or General Manager (12%), Director of Human Resources (52%) or some other senior manager.

In all three cases, the largest companies have the highest response rates.

In Spain, 55% of responses are from companies headquartered in Spain, while the rest are from companies based abroad (22% in Europe and 21% in the USA). In Argentina, 40.5% have their headquarters in Argentina, while 30.2% are based in the USA, 23.8% in Europe, 0.8% in Japan and 4.8% in other Latin American countries. And in Brazil, 50% of responses are from companies based in Brazil, 21% from companies with headquarters in the USA, 26% in Europe, 2% in Japan and 1% in Canada.

Diffusion of Corporate Ethical Policies and Corporate Ethics Statements

Ethics Statements are probably one of the most important parts of a CEP, but there are others. Another measure envisaged in CEPs is that of taking ethical conduct into account in personnel selection, appraisal and promotion (Table 2). Results indicate that this is common practice in companies of all kinds (whether or not they have formal ethics documents) and in all countries (ranging from 62% in Spain to 75% in Brazil and 79% in Argentina). Although these findings are difficult to interpret, the higher score in Latin American countries could have something to do with the presumably higher level of corruption in these countries.

Table 2. Adoption of Corporate Ethical Policies, apart from Corporate Ethical Statements
(Percentage of companies with a formal ethics document; those without in brackets)

Other Policies	ARGENTINA	BRAZIL	SPAIN
Taking moral behavior into account for personnel appraisal and promotion	79 (62)	75 (60)	62 (75)
Periodic ethical accounting, auditing and reporting	39 (24)	45 (30)	27 (9)
Standardized procedures for dealing with ethical issues	39 (11)	36 (17)	24 (6)
Ethical training programs for managers or employees	22 (3)	15 (13)	19 (6)
Ethical offices	29 (8)	9 (4)	15 (0)
Support for research on business ethics	15 (8)	12 (4)	1 (3)

Although much less common, other measures are also sometimes adopted, notably: periodic ethical accounting, auditing and reporting; standardized procedures for dealing with ethical issues; and ethical programs for managers or employees. Only a few companies have ethical offices or are funding research in business ethics.

Additional findings of our survey (not tabled here) show that companies with ethics statements are more likely to have formal ethics programs, standardized procedures, periodic audits and special ethics offices. Most of the companies in our sample, whether they have ethics statements or not, also show particular concern for fostering the human excellence of their employees by signaling practices to be avoided, resolving conflicts, and penalizing misconduct.

According to Murphy (1995), documents setting out companies' ethical policies generally fall into three categories: values statements, corporate credos and codes of ethics. Furthermore, ethics may be included in corporate mission statements as well, or in vision statements. Both mission and vision statements are, or should be, crucial to management. In a broad sense, therefore, when ethics is embedded in vision and mission statements, these statements should also be considered as CESs. That is what Lindsay et al. (1996) do in their analysis of ethics documents in Canadian companies. Nearly 44% of the respondents to these authors' survey say that ethical concepts and philosophies are included in their companies' corporate mission statements (p. 396). Accordingly, in our survey we considered corporate vision or mission statements with ethical content as formal corporate ethics documents. Also, because of their affinity, values statements and corporate credos were added to the same group.

Our survey data (see Table 3) show that 71% of the Spanish companies, 70% of the Argentinian companies and 77% of the Brazilian companies in our sample have some kind of written ethics document. The most common documents are codes of ethics or conduct and company vision or mission statements. Some companies have more than one document (see Table 4): for instance, a values statement and a code of ethics. Some even have three: a mission statement, a corporate values statement and a code of ethics (22% to 25%).

Table 3. Corporate Ethical Statements
(Expressed as a percentage of responses received)

Statements	ARGENTINA	BRAZIL	SPAIN
Vision & Mission Statements with ethical values	67	50	69
Values Statement or Corporate Credo	48	43	47
Corporate Code of Ethics or similar document	70	49	65
Some kind of Corporate Ethical Statement	70	77	71
Others	8	7	-

Table 4. Number of Corporate Ethical Statements in each company
(Percentage of companies having formal ethical documents)

Number of documents	ARGENTINA	BRAZIL	SPAIN
One document	35	31	45
Two documents	37	21	32
Three documents	25	22	24

Most CESs were introduced after 1990. Before then, only 23% of Spanish companies, 30% of Argentinian companies and 20% of Brazilian companies had one. Before 1990, most of the companies that had codes of ethics were US-based multinationals. In the USA many companies drew up codes of conduct in the mid '70s and '80s, after a series of scandals. Understood as “good practice guidelines”, these codes were adopted by foreign countries. The Foreign Corrupt Act of 1977 also had a lot to do with this concern. Another factor that influenced the diffusion of codes of ethics in the U.S. was the implementation of the U.S. Sentencing Commission (USSC) guidelines in 1991, which gave some legal advantages to companies that reinforced legal compliance by implementing codes of ethics and ethical programs (Dalton et al., 1994). This may account for the higher level of codes of ethics introduced in the USA in 1993 and 1994 (Weaver et al., 1999a, p. 286).

In the last three years there has been a growing trend for companies in all three countries to revise their ethics statements. This reflects a growing interest in institutionalizing ethics in business. More relevant still is the finding that many companies that do not yet have a formal corporate ethics document are thinking of introducing one in the near future (25% in Spain, 32% in Argentina and 15% in Brazil).

The proportion of companies with CESs is highest, in our sample, among those that have their headquarters in the US, rather than in any other country (100% of the U.S.-based companies in our Spanish and Brazilian samples, and 89% of those in the Argentinian sample). That is not surprising, considering that a survey of Fortune 500 firms (mostly North

American corporations) in the mid-'90s found that 98% of firms claimed to address ethics and conduct issues in some kind of formal document, and 78% of those had a code of ethics (Weaver et al., 1999a, p. 285).

Furthermore, the proportion of companies with an ethics statement is higher among listed companies and for large transnational and holding companies than among family businesses, companies with a low degree of internationalization and small companies (see Table 5). This finding is consistent with the well known fact that large organizations react more quickly when it comes to introducing CESs than small ones, especially in response to public demands for higher ethical standards and social responsibility (Center for Business Ethics, 1986; Sweeney and Siers, 1990; Lindsay et al., 1996).

**Table 5. Proportion of companies having
Corporate Ethical Statements by type of company**
(Percentage of responses)

Type of Company	ARGENTINA	BRAZIL	SPAIN
Large multinational companies	85	96	83
Listed companies	83	75	84
Companies belonging to an international holding	75	100	57
Companies with headquarters in the country	73	71	84
National companies or with little internationalization	45	71	81
Small and medium sized companies (less than 900)	65	75	77
Family businesses	42	69	60

Table 6. Common ethical concerns of large companies
(Scale from 1 = very low to 5 = very high)

Ethical Concerns	Ethical Document	ARGENTINA	BRAZIL	SPAIN
Employee practices	yes	4.4	4.4	4.3
	no	4.0	4.3	4.2
Wrong practices to avoid	yes	4.4	4.0	4.0
	no	3.9	4.1	3.9
Solving possible conflicts of interest	yes	4.2	4.1	3.7
	no	3.5	3.8	3.6
Sanctions for breaking the rules	yes	3.8	3.4	3.1
	no	3.7	3.7	3.8

The level of ethical concern over employee behavior is much the same in companies with a formal code of ethics as in companies without one (Table 6). At this point a question arises: what reasons did companies give for not having a CES and what alternatives did they put forward? The answers are shown in Table 7. Only a very few respondents claimed that there was no need to reinforce ethical behavior among their personnel, and hardly any of them approved the statement "Ethics has nothing to do with business". This confirms that the myth that business is an amoral endeavor is no longer accepted.

Table 7. Companies without a written ethical statement: Reasons and alternatives
(Percentage of responses)

Reasons	ARGENTINA	BRAZIL	SPAIN
They plan to introduce a formal document	32.4	15	25
They reinforce ethical behaviors in other ways	51.3	10	40.6
They follow generic professional codes of ethics	29.7	8	40.6
They consider the exemplarity of senior management to be more influential than any written statement	16.2	3	31.3
A written statement does not seem useful	2.7	1	6.3
It is not necessary to reinforce personnel ethical behavior	5.4	0	3.1
They think ethics has nothing to do with business	2.7	0	0
Other alternatives	8.1	1	0

Many respondents said that their companies have adopted general professional codes and that they are thinking of introducing a code of ethics or some other corporate ethics document in the near future or are trying to reinforce ethical behavior in other ways. Some agreed that the example given by a company's executives is more influential than any written statement. Only a minority (1% to 6%) considered that having an ethics document is useless.

Companies without formal ethics documents in Brazil seemed more reluctant than the others to adopt alternatives to codes or other documents to promote ethical behavior. We interpret this to mean that the executives in question feel that existing laws are sufficient to ensure good behavior. A code of ethics or other similar document may be seen as just another constraint on Brazilians, who, if they do not perceive any clearly unacceptable wrongdoing in their action, will always tend to find a way ("jeitinho brasileiro") of acting outside the law. In this sense, executives tend to emulate their peers or competitors, even if it is not totally legal or ethical. They do not feel strong enough to change unethical habits because they fear that if they act ethically they will be forced out of the market.

Purpose and grounding of corporate ethics statements

a) Purpose of corporate ethics statements

An opinion survey published in 1980 showed that chief executives and other senior officers of U.S. corporations felt that the main reasons for developing corporate codes of conduct were public image and reputation¹⁵. In 1992 another survey gave a wider set of reasons for introducing ethics into a company: to be a socially responsible company (95% of respondents); to provide guidelines for conduct (94%); to ensure compliance with the law (79%); to improve the company's public image (43%); and to improve profits (30%) (Center for Business Ethics, 1992, p. 864). More recently, Weaver et al. (1999a) have found that a particular set of environmental influences are more strongly associated with the scope of ethics programs than are top management's commitment to ethics. The environmental influences they mention include awareness of USSC guidelines, media attention to a firm's ethical problems, and representation at The Conference Board meetings.

The respondents to our survey stated that the most important reason for implementing CESs is to spread corporate values or the corporate philosophy throughout the organization (see Table 8). The next most important reasons are to evidence a public corporate commitment, to promote human development and to build trust and confidence. In contrast with companies in the U.S., in the countries included in our study top management's commitment to ethics seems more important than environmental influences. However, reminding employees of their obligations and avoiding damage to the company's reputation are also important, mainly in Argentina and Brazil, rather than in Spain. This is probably attributable to the fact that corruption in these two countries is higher.

Table 8. Reasons for implementing ethical statements
(Scale from 1 = very low to 7 = very high)

Reason	ARGENTINA	BRAZIL	SPAIN
To spread the company's values or philosophy	6.5	6.8	6.5
To present a corporate public commitment	5.5	6.0	5.6
To remind employees of their obligations	6.0	6.1	5.2
To promote human development	5.8	6.0	5.4
To avoid damage to the company's reputation	5.1	5.6	4.7
To build trust and confidence within the company	5.8	6.2	5.0
To gain competitive advantage	4.4	5.3	4.5
To protect the firm against legal actions	4.3	5.2	3.5

Creating competitive advantage and protecting the firm against legal action get the lowest score. This may be due, respectively, to a lower level of public concern for corporate reputation (lower in these countries than in others such as the USA) and the view that the law has little to do with ethics.

Our survey also asked what ethical goals the companies considered important, a question closely related to the previous one. The answers with the highest scores were "expressing the company's values" and "building a corporate identity" (Table 9). Fostering awareness of expected behavior, promoting human excellence and reinforcing standards of business ethics also received a good score. There are no perceptible differences on this point among the countries studied.

Table 9. Priority of objectives
(Scale from 1 = very low to 5 = very high)

Ethical Aspects	ARGENTINA	BRAZIL	SPAIN
Express Corporate Values	4.8	4.7	4.6
Construct Corporate Identity	4.5	4.6	4.4
Foster awareness of expected behavior	4.6	4.6	4.3
Promote human excellence	4.5	4.5	4.2
Reinforce common standards of business ethics	4.4	4.4	4.3

b) Philosophical grounding of corporate ethical policies

Every corporate ethical policy is grounded in a philosophical conception and a certain ethical theory. Dunfee and Robenson, after defining a code of business ethics as a list of fundamental principles, add that a code “can provide this (needed) immediate link between ethical theory and daily decision making” (quoted by Dean, 1992, p. 286). These principles include: compliance with the law, respect for persons and human well-being, keeping promises, honoring contracts, refusing bribes and exercising due care, confidentiality, fidelity to special responsibilities and commitments, avoiding conflicts of interest, acting in good faith in negotiations, and others. These are universal principles or, at least, norms which enjoy social acceptance. They are also appropriate for developing human virtues (justice, truthfulness, loyalty, etc.). Codes of conduct can be taken from law or from international texts on human rights. They can also be founded on a consequentialist approach (Utilitarianism).

These considerations, together with an exploratory review of some relevant corporate ethics statements, led us to suppose that formal ethics documents are grounded in ethical theories such as virtue ethics, universal principles, Utilitarianism, social values, legal requirements and human rights. In order to make the philosophical grounding clear, the questionnaire listed these theories, giving a short simple explanation in brackets¹⁶. The findings (Table 10) show that human virtues come first, closely followed by universal ethical principles and generally accepted values. Utilitarianism comes in fourth place. That seems logical since, in the countries we studied, social values are not so different from universal ethical principles and the requirements contained in human virtues; their tradition is more deontological than consequentialist. At the bottom of the list are legal requirements and international texts on human rights. A possible explanation for this is that ethics is much more highly regarded than the law. International texts on human rights may be too generic for business purposes. Also, in the countries studied there is nothing comparable to the U.S. Sentencing Commission guidelines encouraging the incorporation of legal content in codes of ethics (Dalton et al., 1994).

Table 10. General principles applied in drafting the statements
(Scale from 1 = very low to 5 = very high)

General Principles	ARGENTINA	BRAZIL	SPAIN
Human virtues	4.5	4.2	4.1
Universal ethical principles	4.3	3.9	4.0
Generally accepted social values	4.3	3.8	4.1
Utilitarianism	3.2	3.5	3.5
Legal requirements	3.5	3.3	2.9
International texts on human rights	2.7	3.2	2.9

The role of top management in organizational ethical policies

a) Who is responsible for ethical issues in the company?

Most authors think that the first step to promoting ethical behavior in an organization is to ensure that the organization’s leaders propound the importance of ethical conduct in business (Andrews, 1989; Hall, 1993; Driscoll and Hoffman, 2000). Others

emphasize the value of organizational culture in instilling ethics in organizations (Murphy, 1988; Gandz and Bird, 1989; Knouse and Giacalone, 1992). Both these positions have a lot to do with managerial commitment, employee training and continuous monitoring.

When asked: “Who has primary responsibility for ethical issues in the company?”, most of the respondents said the Executive Manager (80% to 84%). The second most common response was the Human Resources Manager (25% to 30%), and then middle managers (6% to 15%) and the legal department (5% to 9%). A few replied that nobody in particular has responsibility for ethical issues (1% to 5%). These latter responses generally came from companies that have no formal ethics statements.

Very few companies considered that responsibility for ethical issues in the company lies with the Ethics Officer (7% in Argentina, 0% in Spain and Brazil) or the Ethics Committee (1% to 2%). These findings contrast with U.S. companies, in which many top managers delegate responsibility for ethical management to others (Weaver et al., 1999b, p. 55). That may explain why about 30% of the US companies surveyed by Weaver et al. (1999a, p. 288) had special officers to monitor ethical and legal compliance. In the countries in our survey these functions seem generally to be performed by the legal or human resources departments.

b) Drafting and communicating corporate ethics statements

An important issue in relation to corporate ethical policies is how to draw up CESs and how to communicate them. In most of the companies in our sample, ethics statements were drawn up by top management (Table 11): 47% in Spain, 67% in Argentina and 42% in Brazil. In some cases they were developed by the Board of Directors: nearly 35% in Spain, 27% in Argentina, but only 8% in Brazil. Middle management also took part in this process: 25% in Spain, but only 13% in Argentina and 17% in Brazil.

Table 11. Who developed corporate ethical statements?
(Expressed as a percentage of responses received)

Position	ARGENTINA	BRAZIL	SPAIN
Top managers	67	42	47
Board of Directors	27	8	35
Middle managers	13	17	25
Managers and employees	14	13	12
A communicative process with the main stakeholders	13	12	5
Collaboration of external experts	14	8	21

Not many companies encourage wider participation in drafting formal corporate ethics documents. The involvement of managers and employees was between 12% and 14%, and even lower for other stakeholders (5.3% in Spain, 13% in Argentina and 12% in Brazil). The explanation for this may lie in the complexity of managing a wider participation process; or perhaps managers think that having too many conflicting interests will make it difficult to achieve high ethical standards. However, such a low rate of participation is hardly ideal, as most scholars stress the importance of high employee involvement in the process of creating and implementing corporate ethical policies (Berenbeim, 1987). It is also worth noting the low

level of involvement of external experts (21.3% in Spain, 14% in Argentina and only 8% in Brazil). This may be because companies already have experts of their own, because managers feel they can do it on their own, or even because there are no known experts in the field.

Implementing corporate ethics statements in a company requires an effective communication system (Wells and Spinks, 1996; Stevens, 1999). Our survey asked about this and, as Table 12 shows, in most cases corporate ethics documents are communicated and promoted through leaflets, posters, manuals, or via the corporate web site (44% in Spain, 86% in Argentina and 25% in Brazil). About a quarter of companies in Spain and Brazil, and half in Argentina, backed this up with an oral presentation. It is significant that only 14% of the companies in Spain and Brazil held working or training sessions, whereas in Argentina the figure was 41%. The proportion of companies that held periodic meetings to study or review the documents and apply their content to the organization's actual practices came out at 31% in Argentina, 16% in Brazil and 8% in Spain. The higher percentage of companies in Argentina that stressed communication and training in corporate ethics may be due to the growing awareness of the need to overcome the current moral crisis in Argentina, as ethics programs are a way of confronting corruption and strengthening common values.

Table 12. How Ethical Statements are communicated and promoted
(Expressed as a percentage of responses received)

Means	ARGENTINA	BRAZIL	SPAIN
Posters, manuals, leaflets, web sites	86	25	44
Oral presentations	52	24	25
Seminars or workshops	41	14	14
Periodic reviews	31	16	8
Signature on the document	0	0	12
Others	11	8	0

A small proportion of companies wanted to promote and implement their ethics documents by requiring employees to sign them to prove that they had read them (12.2% in Spain and 0% in Argentina and Brazil).

It is worth pointing out that there is a correlation between the number of documents in each company and the intensity of means used to implement them. The more documents there are, the greater the intensity of means used to communicate and implement them. This phenomenon was apparent in all three countries (see Figures 1a, 1b, 1c). Accordingly, when there is more than one corporate ethics document (corporate mission, values statement, code of conduct), companies frequently also employ a wider range of means for effective implementation.

Figure 1a. Correlation between the number of formal ethical documents and the measures taken to implement them – Spain

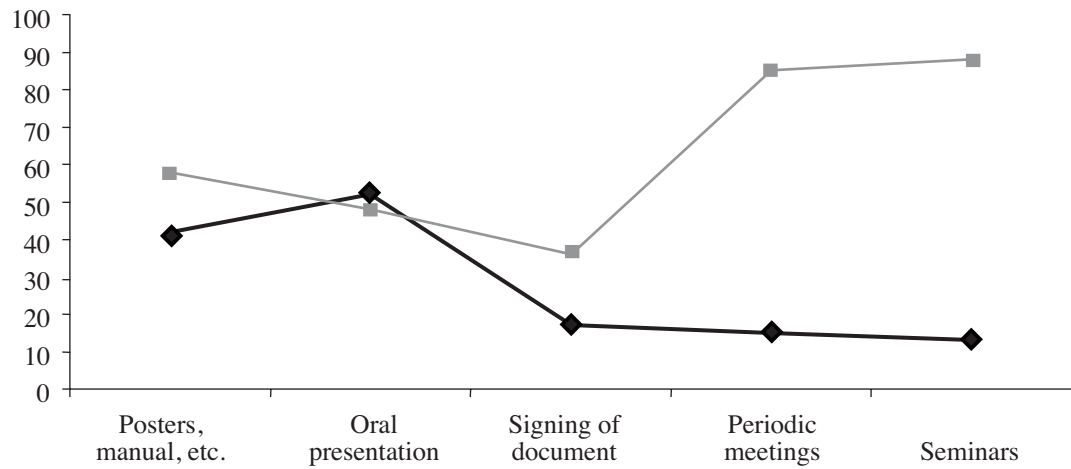


Figure 1b. Correlation between the number of formal ethical documents and the measures taken to implement them – Argentina

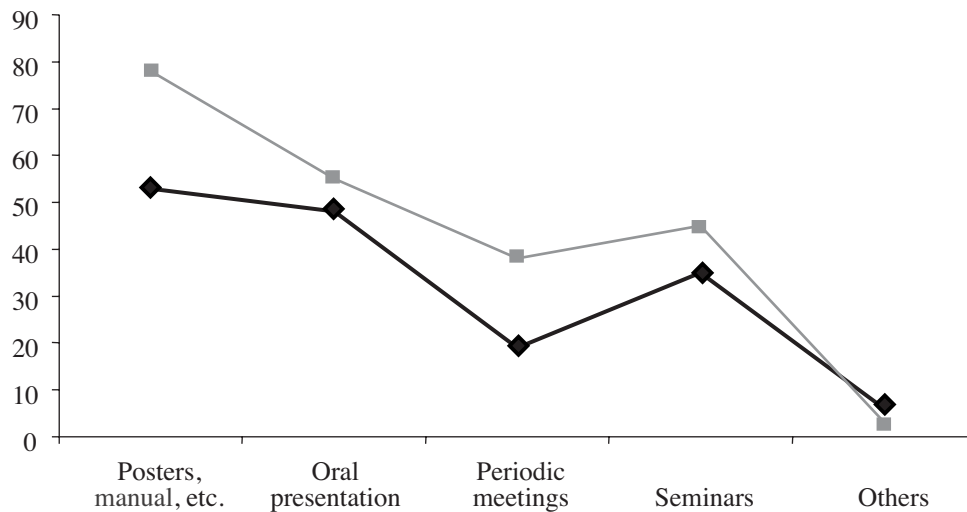
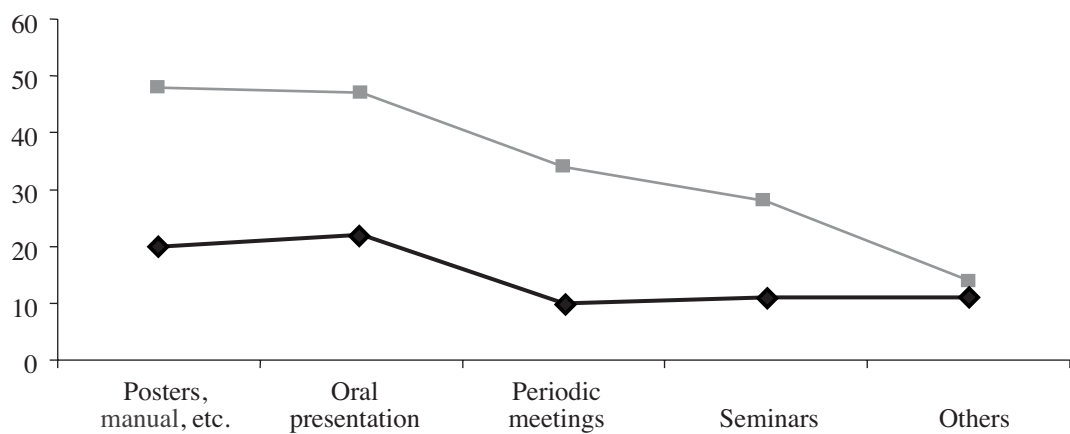


Figure 1c. Correlation between the number of formal ethical documents and the measures taken to implement them – Brazil



It has been claimed that the only reason some companies have a values statement or ethics code is to hang it on the wall, or as “window dressing”, while other companies take these documents seriously and try to put them into effect. The correlation we found supports the statement that quite a few of the companies that make a major effort to implement ethics have more than one formal ethics document.

Another relevant aspect is the scope of communication of the document. Only 36% of respondents in Spain, 33% in Argentina and 47% in Brazil stated that codes of ethics or any other formal ethics documents had been communicated outside the company. The proportion was higher among companies headquartered in the USA. One possible explanation for this finding is cultural differences, such as the sense of transparency and openness. Another reason for these low percentages could be a fear of making a public commitment on ethical issues and then failing to live up to it. However, the lack of interest in making ethical commitments public could be due to ignorance of the advantages for companies of publishing and promoting ethics documents.

c) Do executives think that corporate ethics statements are effective?

Knowing the impact these documents have is important, but it would require a broader and deeper investigation than ours. Nevertheless, we can make a first approximation from the responses we received (see Table 13).

Table 13. Perceived impact of Ethical Statements
(Scale from 1 = very low to 7 = very high)

Aspects	ARGENTINA	BRAZIL	SPAIN
Building the corporate culture	6.1	6.1	5.8
Shaping policies and practices	6.1	6.0	5.4
Fostering moral excellence	5.7	6.3	5.2
Improving the corporate image	5.6	5.9	5.2
Avoiding misconduct	5.7	7.0	5.1
Helping in the day-to-day running of the organization	5.5	5.4	4.5

As we have seen, the main reason for implementing ethics statements is to spread the company's values or corporate philosophy (Table 8) and the primary objective is to express corporate values (Table 9). It would appear that both goals have been achieved, as the impact these documents have had on the development of corporate culture is significant (6.1 in Argentina and Brazil and 5.8 in Spain). Another important reason was to promote human development (Tables 7 and 8). Again the findings suggest that the CESs have been effective, as there was also a high score for fostering moral excellence (5.7 in Argentina, 6.3 in Brazil and 5.2 in Spain).

According to our respondents, these documents have had a major impact on various business policies and practices: 5.4 out of 7 in Spain, and much more in Argentina (6.1) and Brazil (6.0). This would suggest that in many companies these documents are not just a public relations exercise, but are taken seriously.

Ethics statements seem to improve corporate image and prevent misconduct. The score for prevention of misconduct is extremely high in Brazil. This reflects the serious effort that has been made to promote business ethics in Brazil, mostly in the past five years: as we said earlier, the risk of misbehavior on the Brazilian side could jeopardize trade terms, so companies have decided to create codes of ethics and implement ethics programs, mainly to avoid misconduct.

However, the impact on the day-to-day running of companies turns out to be lower, though not extremely low (from 5.5 in Argentina to 4.5 in Spain). That could depend on the degree of corruption, as most of the codes are focused on misconduct.

Conclusions

In examining the status of corporate ethical policies in large companies in Argentina, Brazil and Spain, our research reveals many common features and some differences. Common features include a growing trend for companies to implement formal ethics statements, which can be considered to be the core of these kinds of policies. Large corporations are more likely to implement ethics statements than small and medium-sized companies.

Companies that have ethics statements usually launch more initiatives to improve ethical behavior among employees than those that do not. However, even companies that do not have formal ethics documents show a great interest in business ethics. They are using other tools to reinforce ethical behavior, including the example of top management and the application of ethical criteria in personnel selection, appraisal and promotion. This latter practice is, in fact, a relevant ethical policy in all companies, whether they have CESs or not. Furthermore, many of the companies that do not have formal ethics documents are thinking of introducing them in the near future.

Although codes of ethics are still the most popular type of ethics document, others such as corporate mission and corporate values statements have become more popular as a means of implementing ethics in organizations. Nearly one in three companies with ethics documents had two or more of them (e.g., a corporate values statement and a code). Another relevant fact is that most of the companies that have two or more formal ethics documents devote more effort to communicating and implementing them than those that have only one document.

The main reason given for formulating ethics statements is to define and promote corporate culture. Thus, these documents reinforce corporate values and build the corporate identity. Other reasons given are: to express public commitment, to remind employees of their obligations, and to promote human development. The perception is that the documents achieve their purpose in building the company's corporate culture and influence business policy making, the pursuit of human excellence and the avoidance of misconduct.

The criteria applied in formulating ethics statements are mainly human virtues, generally accepted social values and universal ethical principles, followed by Utilitarianism. Legal requirements and international texts on human rights are less influential.

Most CESs are drawn up by top management and the degree of participation is moderate to low. Only a small percentage of respondents claim that their ethics statements are developed in a communicative process with the main stakeholders.

Most of the companies in our sample promote their CESs through posters or oral presentations. However, a significant group of companies also conduct working sessions and periodic reviews.

More than half of the companies we surveyed communicate their ethics statements exclusively inside the company. The proportion that also communicate it outside the company is higher among U.S.-based firms.

The main differences between the three countries we studied lie in the importance given to avoiding misconduct and the consideration of ethical criteria in personnel selection. The countries in which corruption seemed most prevalent stressed these points.

This research has certain limitations deriving from the number of respondents, which is significant but not very large, and the size of the companies (the larger the companies, the greater the proportion of responses). Like any survey, it relies on the respondents' knowledge, sincerity and understanding of the questions. A further limitation could be a greater tendency to respond when one has something positive to say than when one's response would be negative. If that is true, our findings are likely to be too optimistic. In spite of these limitations, we hope that our survey will help to improve our understanding of the current situation with respect to corporate ethical policies in Argentina, Brazil and Spain.

Further research should include a wider sample and a survey with more precise questions. A detailed study of the specific content of codes of ethics and other CESs would also help us to know what particular corporate ethical issues are foremost in these countries. A comparison of this research with similar studies of other countries could also have a beneficial effect.

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Notes

- ¹ Instead of “corporate ethical policies” some scholars prefer to talk about “institutionalizing ethics in business” (Weber 1981, 1993), understanding by that “integrating ethics into all daily decision making and work practices for all employees” (Weber 1981, p. 47). Others employ the concept of “corporate ethical programs” (e.g., Brenner, 1992; Weaver et al., 1999b), or “corporate ethics practices” (e.g., Weaver et al., 1999a) or even “compliance programs” (Lovitky and Ahern: 1999) in a similar way.
- ² In 1992, a survey by The Conference Board of 1900 firms (264 responses) revealed that 83% of US, 68% of Canadian and only 50% of European firms have codes (Berenbeim, 1992).
- ³ Between 1860 and 1930 Argentina received more than 6 million immigrants, mainly from Italy and Spain. One can appreciate how important immigration was if one considers that the first official census, carried out in 1869, reveals that the Argentinian population had reached 1,737,000 inhabitants.
- ⁴ According to the ranking produced by “América Economía” magazine, Argentina has only 44 of the 500 biggest companies in Latin America, less than 10%. The 2002 survey is expected to reveal that the importance of Argentinian companies has declined dramatically. In fact, of the 100 most prestigious companies in the country, only 15 are Argentinian-owned.
- ⁵ This tradition is linked mainly to the origins of Buenos Aires as a port used for contraband with the authorities’ permission. Ever since then, prosperity has been associated with illegality.
- ⁶ In 2002, Argentina held 70th place out of 102, with 2.8 points, in the TI Corruption Perceptions Index, surpassed only, among Latin American countries, by Venezuela, Bolivia, Ecuador and Paraguay (Transparency International, 2002).
- ⁷ To illustrate the context, a survey disclosed that, in Argentina, the most trustworthy institution is education (74%), followed by TV media (62%); in third place, the Catholic Church (60%), then the press (57%). In seventh place come companies, with 33% (see “Consortio Iberoamericano de Empresas de Investigación de Mercado y Asesoramiento” (CIMA): “Estudio de opinión pública: confianza en las instituciones de Iberoamérica”, in www.gallup.com.ar/publi/pub022).
- ⁸ Research carried out by IAE, the Management and Business School of the Austral University, reveals a higher degree of business commitment towards the community. According to this report, of the 355 large companies surveyed in 2001, 43% made contributions to society and 33% had employees performing social activities organized by their company, 15% of the companies had a foundation to channel their social assistance and 50% of their staff were involved in it. This research shows that there is a tendency among companies to become more aware of society’s needs (Paladino, M. and Mohan, A.: 2002, “Tendencias de la responsabilidad social empresarial en Argentina”, IAE Research Paper, Buenos Aires).
- ⁹ The TI Corruption Perceptions Index for Brazil has improved a little. Brazil moved from 2.96 points and 40th place in 1996 to 4.0 points and 45th place in 2002, when there were more countries in the ranking (Transparency International, 1996, 2002).
- ¹⁰ In 1992 the Business School of the “Fundação Getulio Vargas” in Sao Paulo, Brazil, created CENE-FGV-EAESP, a center of business ethics which in 1998 had an active role in organizing the First Latin American Conference on Business Ethics and Economics. This conference attracted 600 attendees, including business executives, professionals and academics. As a result of this conference, ALENE (Latin American Business Ethics Network) was created. In the same year, the “Instituto Ethos de Empresas e Responsabilidade Social” was founded. It brings together business leaders from mostly large corporations in Brazil. One of its first programs was designed to encourage Brazilian companies to develop their own codes of ethics.
- ¹¹ This stage was carried out by one of the authors (Melé) at IESE Business School (Spain), improving a previous draft prepared by M. Guillén (University of Valencia, Spain) and Patrick Murphy (Notre Dame University, USA).
- ¹² In the largest companies, we had made inquiries beforehand to find out who was the proper person to address our request to.
- ¹³ “As 500 Maiores Empresas do Brasil”, Exame, July 2002, pp. 81-101.
- ¹⁴ Weaver et al. (1999) received responses from 254 out of 990 firms (response rate: 26%); Center for Business Ethics (1986) achieved 270 out of 1000 (27%), and in another survey (1992), 229 out of 1000 (22.9%); Berenbeim (1987) received 300 responses out of 2100 firms (14.3%) and in the next survey (1992), 264 out of 1900 (13.9%); Lindsay et al. (1996) got 171 responses out of 300 (an overall response rate of 57%), but this seems quite exceptional.
- ¹⁵ Opinion Research Corporation: Implementation and Enforcement of Codes of Ethics in Corporations and Associations (mentioned by Kaye, 1992, p. 858).
- ¹⁶ Literally, the sentences to choose among were: “Generally accepted social values”, “Human virtues (such as justice, integrity, loyalty, etc.)”, “Universal Ethical Principles (such as ‘the golden rule’)”, “Utilitarianism (welfare for the majority)”, “Legal Requirements” and “Human Rights (international text)”.