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CORPORATE ETHICS POLICIES IN THE
500 LARGEST COMPANIES IN SPAIN

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Introduction

Recently, a great number of large corporations have institutionalized ethics through a variety of documents, procedures and initiatives such as company vision or mission statements with ethical values, corporate credos, codes of ethics or other similar documents.

In some countries, such as the United States, research has been carried out to establish the current situation with regard to such policies. As far as we know, however, no such research has been carried out in Spain. In view of this deficiency, the IESE Business Ethics Department has decided to study the Spanish situation and provide possible future guidelines.

The purpose of the study reported in this paper is to examine the current situation of business ethics policies in the 500 largest Spanish companies ranked by number of employees. The study focuses in particular on the formalization of these policies through a written document such as a code of ethics, a corporate credo, a company mission or vision statement with ethical values, or other similar documents. Various unformalized alternatives to these policies are also investigated.

Methodology

The criterion used to decide which companies to include in the survey was the number of employees, as what determines business practice is human beings, not income or profits.

A cover letter and a questionnaire were mailed to each company. The letter briefly explained the nature of the research, assured respondents anonymity, guaranteed the confidentiality of the information provided, and requested a copy of the corporation's ethics statements. We limited the questionnaire to 16 items (we estimated it would take 10 minutes to fill in) in order to maximize the probability of companies responding and guarantee the quality of the responses. The companies that did not respond to the first round of surveying were targeted a second time through telephone contact and direct faxing.

The questionnaire was formulated using the following method: after a detailed bibliographic study and with the counseling of Patrick Murphy of Notre Dame University, USA –an acknowledged expert in this field– we produced a first draft. This draft questionnaire was tested on a pilot sample of 25 executives to check the comprehensiveness and relevance of the questions. In an effort to ensure a good response rate, letters and questionnaires were addressed to the CEO or President of each corporation; and responses were accepted for a period of up two months after the questionnaire had been sent.

The sample for the study was taken from the Dun & Bradstreet marketing database. We excluded several kinds of companies as they were deemed to be outside the scope of our research, specifically: Government Companies (Standard Industrial Classification code numbers: 91, 92, 93), Education and Social Companies (SIC: 82 and 83), Mutualist Companies (SIC: 86) and Health Care Companies (SIC: 80).

In an exploratory study we sent the questionnaire to several different companies within the same group. We did not find significant differences among them so we decided to consider company groups as single entities, e.g the Telefónica Group, which includes several companies, was labeled as one category. In the end, we mailed our questionnaire to 590 Spanish companies ranked by number of employees, excluding the kinds of companies mentioned above. Table 1 shows the structure of the sample. It is important to note that most of the companies have between 750 and 2000 employees. This category most realistically reflects the size of Spanish companies.

Between April and May 2000 we received 106 questionnaires (21.1 % of the sample, a response rate comparable to that obtained in similar studies). Table 1 shows the percentage of answers by size of company. It can be seen that the number of responses decreases roughly in line with the size of the company. Our phone survey had the standard rate of success found in other surveys. One explanation may be the limited amount of time executive level managers have available, and the absence of a specialized department to help us. Also, some smaller companies were unfamiliar with the topic of our survey. Therefore, our findings have more significance for larger companies than for smaller ones.

Table 1: Respondents by number of employees

Number of employees	Corporations		Responses		Percentage of responses
	Number	Percentage	Number	Percentage	Percentage
> 50,000 - 30,000	5	0.8	4	3.8	80.0
29,999 - 10,000	12	2.0	9	8.5	75.0
9,999 - 5,000	29	4.9	16	15.1	55.2
4,999 - 2,000	118	20.0	24	22.6	20.3
1,999 - 1,500	74	12.5	17	16.0	24.3
1,499 - 1,000	157	26.6	23	21.7	14.0
999 - 750	195	33.1	13	12.3	6.7
Total	590	100.0	106	100.0	

Table 2 shows the distribution of respondents by type of industry. Automotive and large distribution companies have the highest response rate; insurance, textiles and construction, the lowest.

Table 2. Respondents by type of industry

Industry	Corporations		Responses		Percentage of responses
	Number	Percentage	Number	Percentage	Percentage
Automotive	33	5.6	12	11.7	36
Large Distribution	32	5.4	11	10.4	34
Publishing	7	1.2	2	1.9	29
Telecommunications	16	2.7	4	3.8	25
Banking, Finance	79	13.4	17	16.0	22
Manufacturing	54	9.2	11	10.4	20
Energy	33	5.6	6	5.7	18
Electrical equipment	33	5.6	6	5.7	18
Chemical	31	5.3	5	4.7	16
Food	40	6.8	6	5.7	15
Services	166	28.1	20	18.9	12
Construction	30	5.1	3	2.8	10
Textile	10	1.7	1	0.9	10
Insurance	26	4.4	2	1.9	8
Total	590	100	106	100.0	

55% of the respondents are companies with headquarters in Spain, while 45% are companies with headquarters in other countries.

In an effort to control the quality of the information provided, we asked about the respondent's position and to whom they reported. All but five respondents were considered valid (Table 3).

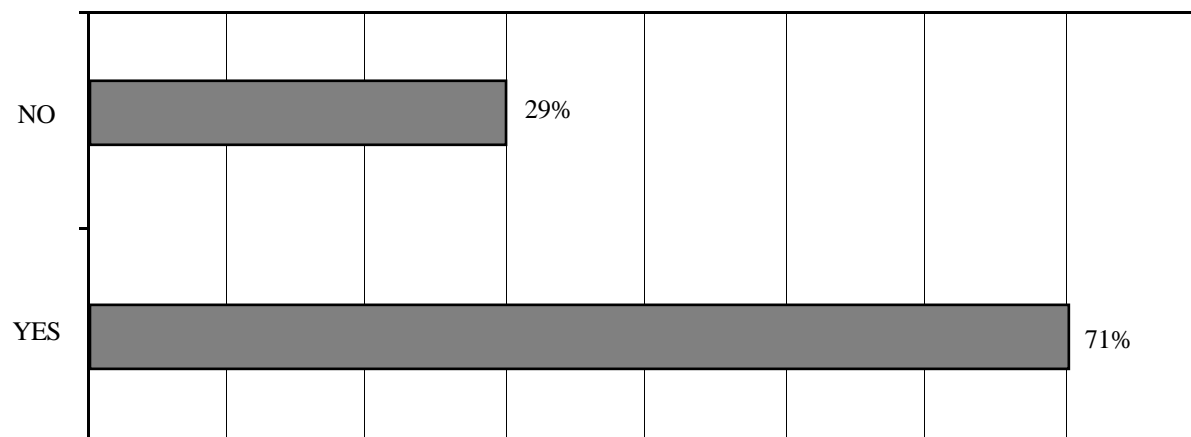
We accepted all the questionnaires we received because none of them was incongruent.

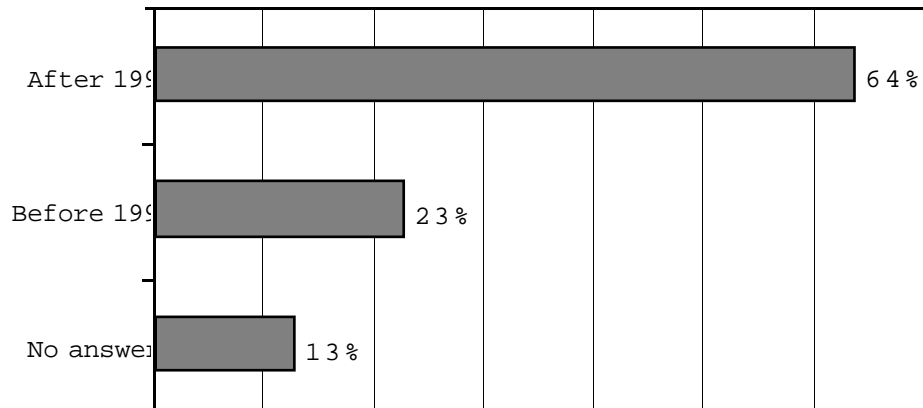
Table 3. Position of the person who filled in the questionnaire

Position	Number of respondents	Percentage
Top Executive Management	30	28.3
Human Resource Management	22	20.8
Public Relations Department	14	13.2
Secretary of the Board of Directors	7	6.6
Board of Directors	5	4.7
President	4	3.8
Financial Department	4	3.8
Corporate Development Department	3	2.8
Legal Officer	3	2.8
Marketing Department	3	2.8
Deputy Director	2	1.9
Strategy Department	1	0.9
Audit Department	1	0.9
R&D Department	1	0.9
Head of analysis	1	0.9
No answer	5	4.7
Total	106	100.0

Ethical statements

The first issue studied was the proportion of companies with a written ethics statement. Our survey data (Graph 1) show that 71% of the companies in our sample have some kind of written ethics document.

Graph 1. Companies with ethics statements

Graph 2. Year ethics statement created

More than half of the documents were created after 1990 (Graph 2). In the last three years there has been a growing trend for companies to revise their ethics statements, although the number of responses to this question is not high (40%).

Table 4. Year ethics statement revised

Year	Number of respondents	Percentage
2000 (until First of May)	10	7
1999	27	20
1998	10	7
1997	2	1
1996	3	2
1995	3	2
No answer	83	60
Total	138	100

Both tables reflect a growing concern to institutionalize business ethics policies. This conclusion is reinforced by the fact that 25% of the companies that do not yet have a formal document are thinking of introducing one in the future. The growing concern is especially relevant to companies with headquarters in Spain, as 75% of the 25% that have no formal ethics policies are Spanish.

As is well known, United States companies have made more efforts to institutionalize ethical practices. This may be deduced from the fact that 100% of the companies with headquarters in the United States have written ethics statements. The same 100% of companies from the United Kingdom, Switzerland and South Africa have written statements, but as they are less well represented in the sample we cannot draw any conclusions (see Table 6).

In Spain, according to the findings of our study, 62% of respondents have a written business statement that includes ethical aspects. The distribution of the different types of written ethics statements is shown in Table 5.

Table 5. Types of documents in Spain

	Percentage
Vision or mission statement with ethical values	62
Value statement or corporate credo	49
Corporate code of ethics or similar	43

Table 6. Company Headquarters' ethics statements listed by country

Country	Number of companies	With a formal document	Percentage
United States	21	21	100
Switzerland	3	3	100
United Kingdom	1	1	100
South Africa	1	1	100
Germany	7	5	71
Holland	3	2	67
Spain	60	37	62
France	7	4	57
Italy	2	1	50
Luxembourg	2	1	50
Total	106	74	

The percentage of companies with an ethics statement is higher among companies with a stock market listing, transnational companies and holdings than among family businesses and Government companies (Table 7). This fact complements the correlation between company size and possession of a formal document. As can be seen from Table 7, the percentage of companies having written ethics statements is higher among very large firms, and so is the response rate.

Table 7. Ethics statements by company size

Kind of company	Respondents	With formal document	Percentage
Listed company	31	26	84
Large Transnational Corporation	42	35	83
Holding Company	32	26	81
Family Business	10	6	60
Company belonging to an international holding	23	13	57
State (Government) Companies	1	0	0
No answer	2	0	0

In the ranges 29,000 – 10,000 and 1999 – 1500 employees, the proportion reaches 100%. One possible explanation for this is that in these ranges you find a lot of international and foreign companies, which face more legal requirements for written statements. The proportion is low in the smaller companies, e.g. the 1499 – 1000 range. However, it is higher in the 999 – 750 bracket. This latter finding is not very significant, however, as this bracket represents less than 7% of the initial population. In conclusion, bearing in mind the limits of our study and the representativeness of the sample, more large firms have written ethics statements than medium-sized ones.

Table 8. Ethics Statements by number of employees

Number of employees	Number of respondents	Have formal document	Percentage of responses	Proportion of companies with document
> 50,000 - 30,000	4	3	75.0	80.0
29,999 - 10,000	12	12	100.0	75.0
9,999 - 5,000	13	8	61.5	55.2
4,999 - 2,000	24	16	66.7	20.3
1,999 - 1,500	17	17	100.0	24.3
1,499 - 1,000	23	9	39.1	14.0
999 - 750	13	10	76.9	6.7
Total	106	75		

As Table 9 shows, the survey demonstrates that certain industries have more companies with written documents than others. For instance, service, banking and distribution follow manufacturing and telecommunications. The chemical, construction and textile industries also have a high proportion, but the percentage of responses is so low that no conclusions can be drawn. It is worth noting that the automotive sector, with 66% having documents, has the most representative sample of the initial population (36%). If we look at individual sectors within manufacturing, such as telecommunications and computers, the figure can reach 100% with documents but with only 5 responses.

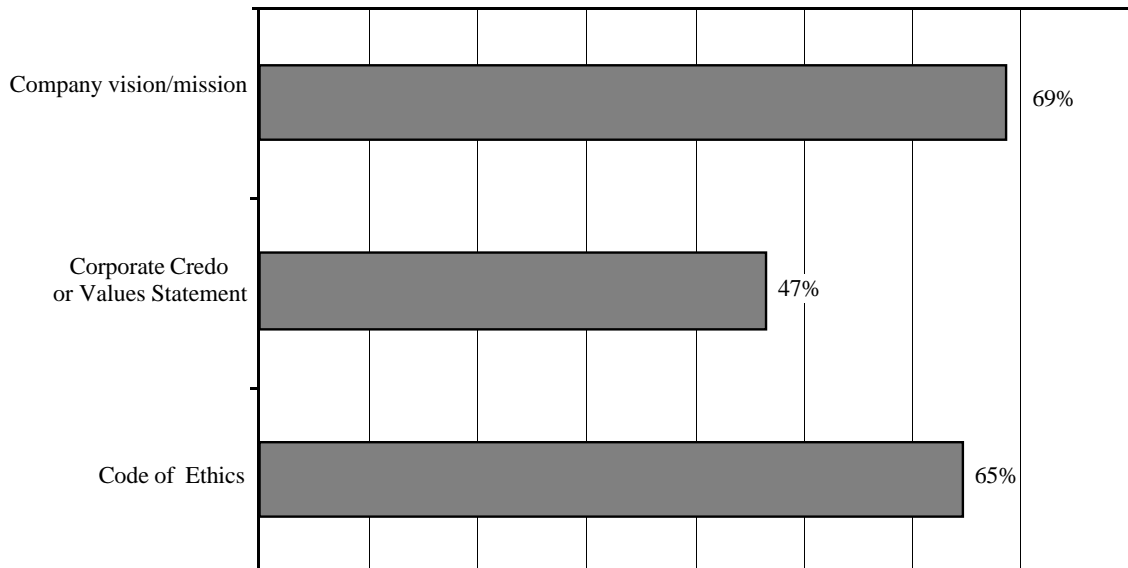
Table 9. Ethics Statements by type of industry

Industry	Number of respondents	Companies with documents	Percentage	Respondents as proportion of industry total
Chemical	5	5	100.0	16
Construction	3	3	100.0	10
Textile	1	1	100.0	10
Manufacturing	12	11	91.6	10
Telecommunications	4	3	75.0	25
Large distribution	11	8	72.7	34
Banking, finance	17	12	70.6	22
Electrical equipment	6	4	66.7	18
Automotive	12	8	66.7	36
Food	6	4	66.7	15
Service	19	11	57.9	12
Publishing	2	1	50.0	29
Energy	6	3	50.0	18
Insurance	2	1	50.0	8
Total	106	75		

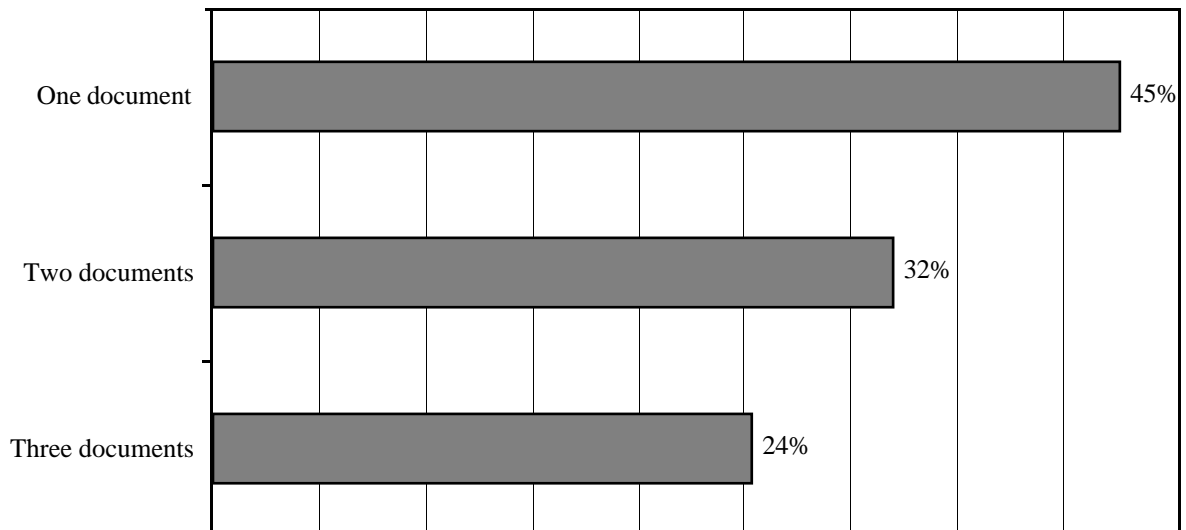
We asked about the kinds of written ethics statements the companies have. Specifically, we asked about: company vision or mission statements with ethical values; value statements or corporate credos; and codes of ethics.

The most common document, with 69% of responses, was the company vision or mission statement with ethical values (see Graph 3). In second place was the code of ethics, with 67%; and in last place the corporate credo or value statement, with 47%. In fact, 56% of the companies have two or more documents (Graph 4), always with one more general and one more specific or precise. Among companies with only one document, the most popular type was the code of ethics, with 46%, followed by company mission and vision with ethical values, with 36%, and the corporate credo, with 18% of the responses.

Graph 3. Types of ethics statements



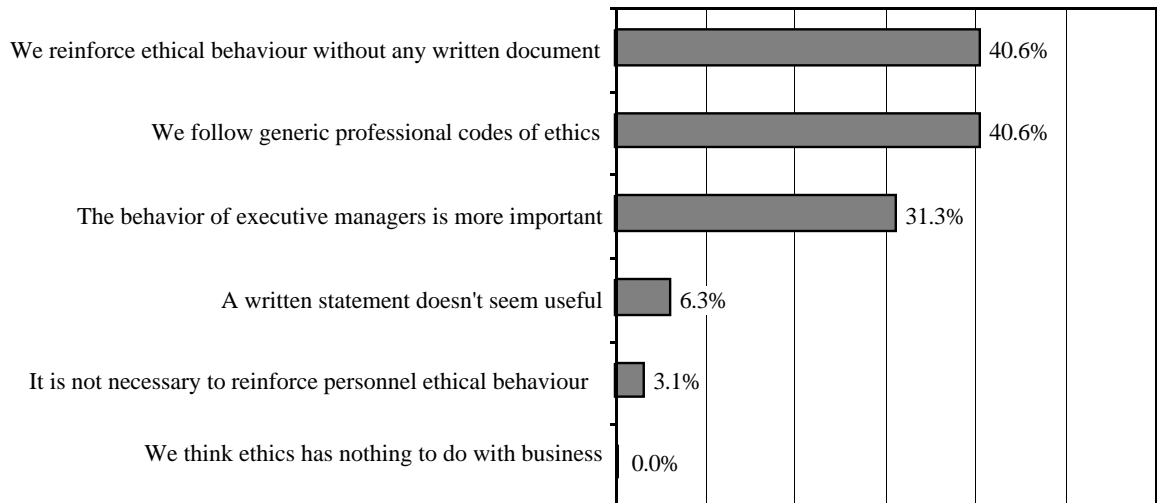
Graph 4. Number of ethics statements



Alternatives to ethics statements

What were the main explanations provided by the 29% of companies that did not have ethics statements? Graph 5 shows the answers to this question. None of the respondents chose the statement “Ethics has nothing to do with business”. This indicates that the myth that business is an amoral endeavor is no longer accepted. Only 3% of the respondents said that there is no need to reinforce ethical behavior among personnel, and only 6.3% felt that an ethics statement was not useful. On the other hand, 40.6% of respondents said that they follow general professional codes, and 25% said they were thinking of introducing ethics statements. About 31.3% of the respondents said that the example of executive level managers was more influential than any written statement of ethical business practice, and 40.6% said that they try to reinforce ethical behavior without written documents

Graph 5. Alternatives to written ethics statements



Reasons for implementing ethics statements, and their impact

Respondents were asked to indicate the main characteristics of their companies' ethics statements: the reasons for their implementation, the principles they embody, the way they are communicated, and their perceived impact.

Table 10. Reasons for implementing ethics statements

(Richter scale of 1 to 7)

Reasons	Totally disagree							Totally agree		No answer	Average
	1	2	3	4	5	6	7				
To spread the company's values or philosophy	0	0	1	1	7	17	47	2	6.5		
To present a corporate public commitment	2	2	1	9	12	14	26	10	5.6		
To promote human development	0	4	5	8	19	16	20	2	5.4		
To remind employees of their obligations	3	3	5	8	17	17	18	3	5.2		
To build trust and confidence within the firm	1	1	5	22	7	16	15	3	5.0		
To avoid behaviors than can damage the company's reputation	5	3	10	6	17	11	13	10	4.7		
To gain competitive advantage	3	10	5	15	13	15	9	5	4.5		
To protect the firm against legal actions	0	9	13	19	5	3	7	10	3.5		

According to Table 10, the most important reason for implementing ethics statements (with an average score of 6.5 out of 7) is to spread the corporate philosophy through the organization. The company's involvement in the community comes second, with a difference of almost one point. Promoting human development, reminding employees of their obligations and reinforcing relationships of trust have lower scores. Making legal disclaimers comes last, with 3.5 out of 7. In contrast to the United States, ethics statements are not considered legally binding.

Table 11. General principles applied in drafting the statements

(Richter scale of 1 to 5)

General principles	Average
Human virtues (such as loyalty, justice, integrity, etc.)	4.11
Generally accepted social values	4.10
Universal Ethical Principles (such as "the golden rule")	4.07
Utilitarianism (Welfare for the majority)	3.56
Legal Requirements	2.97
Human Rights (international text)	2.91

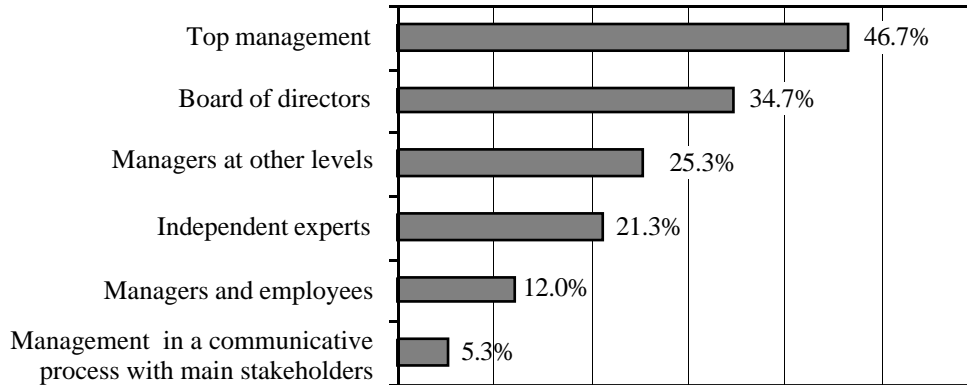
Table 11 shows the general principles that guided the drafting of the ethics statements. Looking at the scores, we see that human virtues and socially accepted values rank highest. Legal requirements and human rights come last. The explanation for this could be that ethical statements point to higher ethical values rather than simply to minimal requirements. Therefore, they try to go further and promote behaviors consistent with ethical excellence.

Drafting and communicating ethics statements

In almost 80% of the companies in our sample, it is top management (CEO and Board of Directors) that draws up ethics statements (Graph 6). In 25% of cases the task is assigned to middle managers. Few companies seek wider participation in the process: 12% use managers and employees, and only 5.3% involve other stakeholders. The explanation for this may be that having too many conflicting opinions is considered likely to compromise the high ethical standards required.

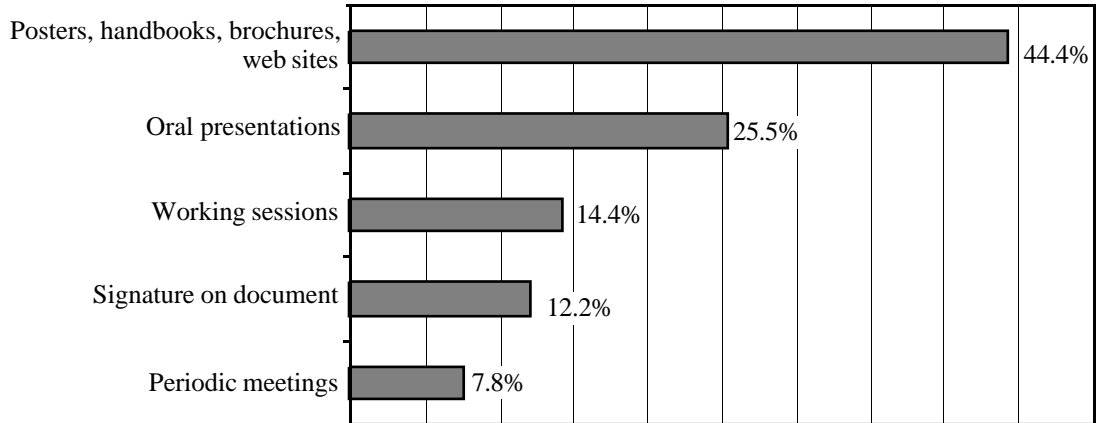
It is also worth noting that in 21.3% of the companies independent experts took part in formulating the documents.

Graph 6. Who developed the ethics statement?



In 44.4% of cases these documents are promoted through brochures, posters, handbooks and the corporate web site. Also, 25.5% of the companies back this up with an oral presentation. It is significant that only 14.4% have working sessions or periodic meetings to study the document and apply its content to the actual practices of the organization.

Graph 7. How Ethics Statements are Promoted



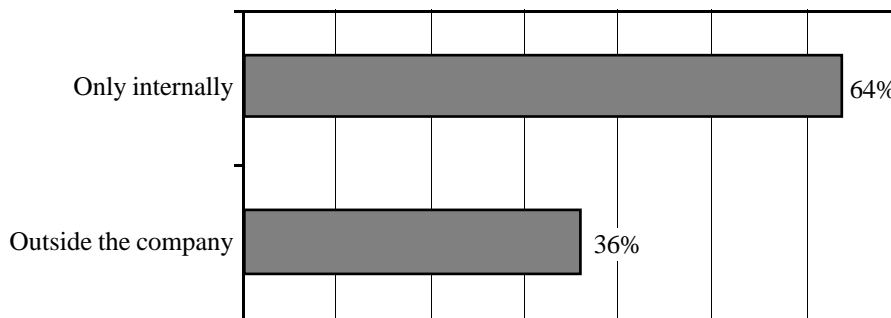
Only a small proportion (12.2%) of the companies want to promote and implement their ethics documents by requiring employees to sign to show that they have read them. Also, some of them (7.8%) review the document periodically. It is worth pointing out that there is a correlation between the number of documents and the intensity and frequency with which they are promoted.

Table 12. How the Document has been Promoted

Number of documents	Posters, handbook, etc.	Oral presentation	Signing of document	Periodic meetings	Seminars
1 document	42	52	17	15	13
2 or more documents	58	48	36	85	88

Another relevant aspect is the scope of communication of the document: only 36% of respondents claim that it has been communicated outside the company (Graph 8).

Graph 8. Where the Document has been Communicated



The correlation between the country in which the company has its headquarters and where the company's ethics statement has been communicated is shown in Table 13. The American companies, for example, have communicated their documents outside of their company much more than the Spanish companies. The cultural differences between the United States and Spain are one possible explanation for this finding, along with the lack of awareness of the advantages of publishing and promoting the ethics document. Also, it is fair to ask whether the failure to communicate the document outside the company is due to a failure to implement codes of ethics.

Table 13. Correlation between Scope of Communication and Home Country

Country	Internally (In percent)	Internally and outside the company (In percent)	Number of corporations
South Africa	0.0	100.0	1
Germany	33.3	66.7	3
Switzerland	33.3	66.7	3
United States	42.1	57.9	19
France	50.0	50.0	4
Holland	50.0	50.0	2
Spain	61.1	38.9	36
United Kingdom	100.0	0.0	1
Italy	100.0	0.0	1

Ethical objectives and impact of ethics statements

We asked for a list of the ethical objectives considered important to the company (Table 14). The answers were similar and the scores were generally high (between 4.2 and 4.6 out of 5 on the Richter Scale). "Expressing the company's values" is consistently cited as the main reason for having a formal business ethics document (see Table 10).

Table 14. Priority of Ethical Objectives

(Richter scale of 1 to 5)

Ethical aspects	Totally disagree					Totally agree	No answer	Average
	1	2	3	4	5			
Express corporate values	0	0	2	27	43	2	4.63	
Construct corporate identity	0	2	7	24	39	2	4.45	
Reinforce common standards of business ethics	0	1	10	29	31	3	4.33	
Foster awareness of expected behaviour	1	3	10	22	36	2	4.30	
Promote human excellence	0	2	12	28	30	0	4.24	

The impact of these documents is a question of practical interest, but it will require a broader and deeper investigation than ours. Nevertheless, we can make a first approximation from the responses we received (see Table 15). Our first finding is the strong correspondence between the purpose of these documents and the achieved outcome. This finding is enhanced by the high perceived impact (5.7 out of 7) of these documents on various business policies and practices (otherwise, one might suspect that the documents were used merely for public relations purposes). As Table 15 shows, the impact is also high in fostering human excellence (5.4), improving corporate image (5.2), and avoiding ethical misconduct (5.1). The impact on the daily running of the company, however, is low (4.5). A possible explanation for this is that most companies' ethical codes are not very specific or detailed.

Table 15. Perceived Impact of Ethics Statements

(Richter scale of 1 to 7)

Aspects	No impact					A great impact		No answer	Average
	1	2	3	4	5	6	7		
Building the corporate culture	1	1	2	4	16	22	24	4	5.8
Shaping policies and practices	0	0	5	8	24	17	14	6	5.4
Fostering moral excellence	1	1	5	19	8	20	15	5	5.2
Improving the corporate image	0	0	6	15	20	21	10	2	5.2
Avoiding misconduct	0	3	5	20	12	19	12	3	5.1
Helping in the day-to-day running of the organization	1	4	15	15	16	14	6	3	4.5

One feature of these data is the existence of a group of ethical issues about which all the companies (regardless of whether they have formal ethics documents or not) are equally concerned (Table 15).

Table 16. Common Ethical Concerns

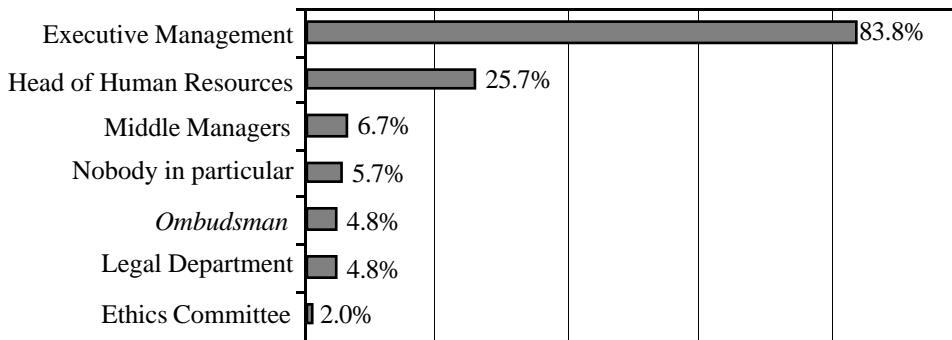
(Richter scale of 1 to 5)

Ethical aspects	With formal document	Without formal document
Dealing with employee practices	4.3	4.2
Dealing with wrong practices to avoid	4.0	3.9
Dealing with solutions of possible conflicts of interest	3.7	3.6
Dealing with sanctions for breaking the rules	3.1	3.8

Other initiatives to improve ethical quality

When asked, “Who has primary responsibility for ethical issues in the company?”, 84% of the respondents cited the chief executive. The second most common response was the human resource manager, with approximately 26% (Graph 9). Those that replied that nobody has responsibility for ethical issues also have no formal ethics statement.

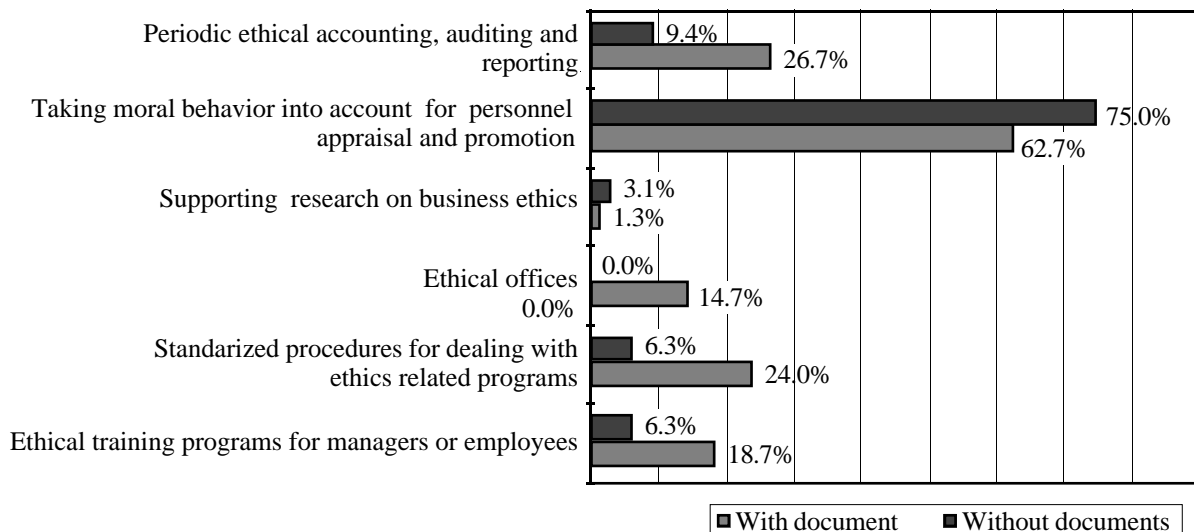
Graph 9. Responsibility for Ethical Issues



The last question in the questionnaire was about the existence of other ethical initiatives. Graph 10 shows the responses to this question. The first observation is that, in general, companies with formal documents have more such initiatives than those without formal documents. For example, companies with formal documents have a higher score on ethical training programs, standardized procedures for dealing with ethical problems, and an ethics office. It is important to note that only companies with formal business documents have a special office to deal with ethical problems (and only 40% of these companies are Spanish).

Companies without documents have only a slight advantage (75% against 62.7%) when it comes to taking ethical conduct into account in the selection, appraisal and promotion of personnel. Nevertheless, their concern for ethical quality is evident and remarkable. These results help us to understand what the companies without formal documents are doing (see Graph 5).

Graph 10. Other Ethical Initiatives



There is no doubt that including ethical quality in employee selection, appraisal and promotion decisions sends a meaningful signal throughout the organization.

Conclusions

The key findings of our survey of the 500 largest Spanish companies by number of employees are as follows:

1. In recent years, there has been a growing trend for companies to implement formal ethics statements. There is also a steady movement towards the institutionalization of ethical practices in Spain, following the example of other countries. The largest corporations are more likely to implement ethics statements than small and medium-sized companies.
2. About 71% of the companies in our sample (and 62% of the Spanish companies in the sample) have a formal document containing ethical values: a company mission or vision statement with ethical values; a corporate credo or values statement; or a code of ethics or similar. Sixty-five percent of the sample as a whole and 43% of the Spanish companies in the sample have a code of ethics, while the figures for those with a corporate credo are 47% and 49%, respectively. Lastly, the percentage of companies with a mission or vision statement that includes ethical values is 65% for the sample and 62% for companies headquartered in Spain.
3. The level of adoption of formal ethics and values statements varies from industry to industry. Banking, distribution, services, telecommunications and IT are the industries where such statements are most widely adopted.
4. Companies without formal ethics documents nevertheless show a great interest in business ethics, though they tend to reinforce it with other tools. These tools include the example of top management, and the use of ethical criteria in the selection, appraisal and promotion of personnel.
5. The main reason cited for having ethics statements is to define and promote the corporate culture. For this reason these documents reinforce corporate values and build the corporate identity. Overall, the perception is that they achieve their purpose. Other reasons given are to express public commitment, to remind employees of their obligations, and to promote human development.
6. Besides building the corporate culture, we found that these documents have a moderate impact, in some corporations, on business policy making, on the pursuit of human excellence, and on the avoidance of misconduct.
7. Nearly 80% of the respondents report that their company's ethics statements were drawn up by top management. In 25% of cases they were prepared by middle managers, and in only 12% of cases by employees and managers. Only a small percentage of respondents (5.3%) claim that their ethics statements were developed in a communicative process with the main stakeholders.

8. The criteria applied in formulating the ethics statements are mainly human virtues, generally accepted social values, and universal ethical principles.
9. Most of the companies in our sample promote their ethics statement through posters or oral presentations. However, a significant group of companies (many of which have more than one ethics statement) also conduct working sessions and periodic reviews.
10. About 64% of the companies communicate their ethics statement only inside the company. The percentage of those that also communicate it outside the company is higher among US-based firms, only 42.1% of which do not do so.
11. Companies with ethics statements usually have more initiatives to improve ethical behaviour among employees than those without them. They are more likely to have formal ethics programs, standardized procedures, periodic audits and special ethics offices. Both those with ethics statements and those without them say that they take personal ethical quality into account in employee selection and promotion and performance appraisal.
12. Most of the companies in our sample, with or without ethics statements, show particular concern for a group of ethical issues that includes: fostering the human excellence of their employees, signalling practices to avoid, resolving conflicts, and penalizing misconduct.

This first investigation of Spanish ethics policies suggests a need for further research to probe more deeply into the ethics of business policies, and so be able to formulate guidelines to help improve actual practice. Nevertheless, the key findings of our survey are a first step towards determining what we should do about the current and future state of the institutionalization of business ethics.