

THE ROLE OF ETHICS: A LOOK INTO THE ARGENTINE BUSINESS WORLD

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Abstract

This paper is directed towards providing an Argentine perspective on the role of ethics in the business world. Although in the past several countries have investigated the institutionalization of ethics within corporate life, a concrete study into that field has never been properly undertaken in Argentina. However, a bird's eye view of the ethics policies currently enforced in companies operating in Argentina creates an adequate context for understanding the ethics phenomenon as it has emerged in that country. To that effect, the major companies conducting business activities in Argentina were questioned on various subjects, ranging from company size to motivation behind providing an ethical background from which to do business, in order to allow a comprehensive analysis on company life in Argentina, as related to ethics. The survey conducted presented evidence that a wide sector of the Argentine business world believe ethics to be a factor of ever-growing importance, which would explain the relatively recent measures taken to instill ethical standards of conduct within corporations.

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1. Introduction

In today's reality, the businessman has ceased to be Public Enemy Number One, in order to become a more crucial agent in the economic and social development of a community. As a company's role in society becomes more central, so society's awareness increases and new demands towards corporate conduct appear. These new demands can no longer be reduced to monetary and quantitative spheres, and social responsibility no longer appears as an option, but rather as a demand imposed by society. Consequently, companies need to increase their efforts towards maintaining and improving their social credibility (García Marzá 1996).

Accordingly, during the past decades, the importance of corporate ethics and standards of ethics as portrayed in formal written documents within businesses has widely increased. This is owed to the fact that companies are becoming more aware of the need to establish guidelines that correspond to the expectations imposed by the society in which they are immersed. A thorough consideration of ethics and the resulting implementation of a document to that effect will aid any company in providing a set of values that will help solidify its image vis-à-vis its environment.

2. Degree of diffusion throughout the world

As a survey of the Fortune 1000 indicates, in the United States alone 98% of the companies surveyed

have a document containing their governing ethical values, 78% presented in the form of a corporate code of ethics (Weaver et al. 1999).

Canada shows a similar commitment to ethics, with 83% of 1000 of its most important companies having introduced a values statement, and 66% a code of ethics (Brooks 1989).

Though in less proportion than in North America, this tendency of businesses to direct their attention to ethics may be clearly seen in Europe. A survey of the 600 largest industries in Germany and France reveals that in those countries the percentage of companies with a code of ethics reached 51% and 30% respectively (Langlois and Schlegelmilch 1990). Moreover, a recent study performed by the London Business School indicates that 78% of British companies currently implement a code of ethics, whereas three years ago only 57% did so (Donaldson 2000). This clearly reveals the ethics boom characteristic of recent times.

In Spain, the IESE institute conducted a similar study in the year 2000, in which results indicated that 71% of 500 of Spain's major companies are equipped with a formal document that systematizes the ethical values that govern daily corporate activity. The study also found that in many of those companies the code of ethics greatly impacts corporate policy configuration, employee development and corporate image improvement. These findings show that in today's business world the code of ethics has ceased to be a plausible alternative and has become an undeniable requirement. The code presents itself as

yet another guarantee of corporate quality and concern.

Within the European Union, several steps were taken during recent years, in order to ensure corporate social responsibility as a response to social, economic, and environmental pressures. In March of 2000, the Lisbon European Council made an appeal for corporate social responsibility with regards to equal opportunity and sustainable development. In July of the following year, the famous Green Book was created, setting out the basic instructions for promoting corporate social responsibility.

Apparently ethics is not a concern limited to the Western world. In the year 1194, Hong Kong's government promoted the adoption of codes of conduct through the *Independent Commission Against Corruption*. This measure was employed as a means of defending companies from corrupt practices performed in the marketplace. At the time, only 20 companies- among the most important countries operating in the country over a total of 182- were enforcing a document of that content.

Two years later, a study conducted showed results indicating quite a different reality: an increase in ethics activities within the Hong Kong business sphere had developed. Over a total of 2,424 companies and professional associations, 1,611 had adopted a code of corporate conduct, representing 66% of those surveyed (Snell et al 1999).

Yet it seems that the ethics craze has not reached Latin America with the same momentum as in North America, Europe, or even Hong Kong. Despite several attempts, no notable studies on ethics documents could be found. Academics consulted express that they are unaware of the existence of surveys that may shine a light on the degree of diffusion of codes in Bolivia, Mexico, Peru, Uruguay, and Chile (Rivera et al. 1998).

3. Degree of diffusion in Argentina

The situation in Argentina is not much different. However, a growing concern for improvement can be discerned. Firstly, the decision-making process of organizations has experienced a profound transformation. Bureaucratic businesses and their strict rules have given way in the past decade to more dynamic and flexible organizations, which delegate responsibility to every level. Secondly, the increasing number of multinational companies settling in the country introduced a new perspective on ethics. Most of these foreign companies brought with them the experience of operating with a formal document, experience and knowledge to be continued in Argentina and adopted by the country's own companies. In response to these changes, employees were made more aware of the need for commitment to the company and its culture.

Together with the decay of a paternalist government, the road was paved for a stronger, more socially oriented business community. Parallel to the

rest of the world, Argentine society began to demand higher ethical standards. More social pressure was exerted on companies to put an end to all corporate activity characterized by an uncontrollable thirst for money. Consequently, corporate social responsibility gradually became accepted as a social demand which had to be met.

4. Research objective and design

One can safely assume that the role played by ethics documents is an important one that aids in the institutionalization of the ethical standards that have become a vital part of and an undeniable requirement in the business world of today. With that in mind, it seems undoubtedly necessary to analyze the degree of diffusion of these documents within companies, in order to help determine the corporate view on ethics.

The objective of this research is to get a glimpse of the Argentine perception of business ethics, by investigating corporate implementation of ethics documents. The scarcity of literature on the subject prompts this first incursion into the study of the ethics policies of businesses in Argentina, using as a sample the 500 major companies currently operating in that country. In order to achieve substantial results, the various written documents displaying a company's ethical values have been considered (corporate credos, codes of conduct, mission statements, corporate philosophy, etc.) The companies that participated in this survey were selected on the basis of the number of people they employed, and two prominent and widely used sources in Argentina: *La Guía VIP*, a publication considered one of the specialized information systems in Argentina; and a publication of the 1000 leading companies in Argentina provided by the business magazine *Prensa Económica*. Each of the 500 companies selected received a mailed questionnaire comprised of sixteen questions, some allowing for various responses and the possibility to state other answers apart from the ones provided for.

The questionnaire was designed mirroring the prototype used in a similar study conducted in the year 2000 by the IESE institute of Barcelona. Likewise, similar standards of data gathering, information processing, and evaluation were used:

- Companies were selected on the basis of employee number, given the fact that ethics at its core affects individuals.
- Various types of organizations were excluded, as they diverged from the commercial company type. Specifically: government institutions and educational or social services and charitable organizations.
- In view of the fact that some of the largest companies belong to the same economic group, the list was enlarged to include companies up to position 555 in the rank, in order to gather information relative to 500 different companies.

– The same statistical parameters were used for data processing and presentation purposes.

The majority of the questionnaires mailed were addressed to the Human Resources Department of each firm. Regardless of this fact, it was requested that the person who completed the questionnaire state his position within the organization, so as to later corroborate whether or not he was sufficiently qualified to respond. With the exception of four cases in which the position was not stated, all the forms were completed by individuals directly involved in the subject, thus ensuring the reliability of the responses received. The highest percentage corresponds to Human Resources Directors (almost 70%) that, coupled with the 8% of responses received by higher-ranking individuals, provides an extremely acceptable level of participation by senior officers. (See Table I).

Insert Table I here

5. Results

The number of responses reached 126, achieving a response rate of 25,2%, which is highly acceptable for this type of research, considering the level of response received in studies of a similar nature conducted in Argentina. It seems no ordinary feat that taking into account the number of employees of each firm, this study covers the institutionalization of ethics directly affecting 235,016 people. Table II represents the proportion of answers according to the size of each company. In general terms, a significant percentage of answers was obtained for each subdivision of companies.

Insert Table II here

The first revealing fact obtained from the responses received from these companies is that 70% are currently implementing some kind of formal document representing their ethical philosophy. (See Chart I).

Insert Chart I here

However, 70% is hardly 100%. So, what is the alternative to ethics documents? The 30% of companies who were not using an ethics document were asked in which way they promoted issues pertaining to ethics within their organizations. Twelve companies, representing 32%, answered that they were actually thinking of establishing a formal document in the near future. A smaller number, totaling 29.7% of those lacking an ethics document, stated that they are governed by the moral rules imposed by each profession, and 16,2% prioritize ethical examples provided by the conduct exercised by company executives. In Argentina, professional codes are deeply rooted in the business community, especially codes pertaining to lawyers, engineers and

accountants. For this reason, it seems not unlikely that a relatively high percentage of companies delegate in these documents their commitment to ethics. The idea of providing ethical examples can be the product of a generalized demand by society which advocates the value of coherence in each level of the organization.

Regardless of the percentage of companies indicating some orientation towards ethics-related documents, 51.3% of the companies lacking a formal document hold that although it is necessary to reinforce and ethical working environment, codes are not crucial to fulfill this apparent requirement. (See Chart II)Insert Chart II here

Moreover, it may be ascertained that many of the companies surveyed began to establish and implement ethics documents only just recently, during the nineties (see Chart III). It is no mere coincidence that this period of time in Argentine history was characterized by significant economic and social changes. The Government's diminishing power, product of privatization policies and the shift of tasks to the private sector, allowed businesses to assume a different role than the one they had been known for. The public demanded higher and clearer levels of transparency, and the country began to open its doors to foreign businesses that brought with them their own vision of ethics, often institutionalized by way of company documents. Thus, if businesses were to survive these new demands and tendencies, they had to adapt. And as survey results seem to indicate, for many companies part of this adaptation implied an embrace of ethics standards and the consequent application of ethics documents.

Nevertheless, it must be taken into account that 25% of companies surveyed did not answer in which year they had begun to implement their ethics document. This may be due to the fact that the exact year of creation is not usually disclosed within the organization, unless of course the long trajectory of ethics enforcement through codes serves as an insignia of quality and commitment which leads companies to advertise this fact.

Insert Chart III here

It is no accident that most of the ethics documents in force were revised during the past two years, when new forces of political and social change swept the country, suggesting a commitment to ethics as a mechanism against a volatile environment. However, 38,7% of businesses surveyed did not provide a year of revision (see Table III). This fact could suggest that codes are not examined frequently, which could imply that some companies make the effort to create a code, later to ignore whether or not it is adapted to conform to the needs and changes in the environment. If this were the case, then the document would lose its purpose with time, and ultimately be rendered obsolete.

Insert Table III here

5.1 Results according to company characteristics

As previously stated, during the nineties many foreign firms saw in Argentina a promising future. Those that decided to settle in the country required their local branches to abide by their standards, including of course, their ethics standards. Consequently, their own ethics documents were introduced in Argentina. By analyzing the case of the multinational firms which operate in Argentina and answered the mailed questionnaire, it is possible to infer that those firms originating from countries in which ethics codes are widely implemented and highly enforced tend to convey this document to their Argentine offices. In fact, 89.9% of American firms apply a code of conduct, while 100% of British firms and 70% of Spanish firms do so (see Table IV). Although high percentages were also obtained with regards to other Latin American countries operating in Argentina, those results cannot be qualified as highly significant, considering the low number of responses received from companies having been originally established in those countries. Nevertheless, these findings could imply that the code phenomenon is not something inherent of Argentine culture and resulting from a natural process within Argentine society, but has rather been introduced from the outside.

Insert Table IV here

The proliferation of ethics is also related to the type of company under analysis. Thus, multinational organizations have formalized their ethics policies in greater degree than small businesses or national companies. Multinationals and companies listed on the Stock Exchange have institutionalized ethics practices far more than companies with less international insertion. Of Argentine companies not operating abroad, 45% are equipped with some sort of formal document, as are 42% of family-owned businesses (see Table V). These numbers reflect the growing interest of Argentine businesses in ethics. This interest may be further corroborated by an emerging trend: in recent years, Argentine entrepreneurs have begun to establish during the first stages of business organization the adoption of formal values statements.

Insert Table V here When businesses were asked why the need to implement a code of ethics or a document of similar content, answers were varied. The motivation behind enforcing ethics standards can be thus categorized and measured as follows, using the Rickert scale (from 1 to 7):

- a. To look beyond the organization, for example, to publicize corporate philosophy (6.5); to express a commitment to the public (5.5); to achieve a competitive advantage (4.4);
- b. To respond to legal issues, for example, to remind employees of their obligations (6.0); to prevent actions which might harm the company

(5.1); to protect the company from any lawsuits (4.3); and

- c. To answer to an anthropological view, for example, to promote human development (5.8); to foster trust (5.8)

In a way, these numbers reflect the projected impact businesses seem to place on ethics. A tendency may be perceived which associates ethics with human activity and corporate culture. There is an apparent effect on the configuration of company policy and the development of human excellence, aspects which, coupled with a concern for preventing unethical behavior, reveal an interest in incorporating ethics standards to people's lives. (See Table VI).

On the other hand, a surprising characteristic in Argentina is that, being equipped with an extensive background of legal regulation, legality is hardly respected assiduously and justice is hardly effective. The reference previously made to the levels of generalized corruption may serve to understand this phenomenon.

Insert Table VI here

In reference to the circulation channels which allow the codes and other ethics documents to become known, the survey has shown that the most widely used mediums are signs, pamphlets or manuals (86.5%). Web pages appear as the second-most used medium with 53%, closely followed by oral presentations with 52%. In addition, a respectable 41.6% of companies dedicate work sessions or seminars to publicize their ethics policies, and 31.5% revise compliance with their ethics documents on a periodic basis. Other measures listed by participating businesses included the personal delivery of a document to each employee, the completion of a form indicating faithfulness to management objectives, etc. (See Chart IV). Insert Chart IV here

Communication of ethics documents is another relevant factor to be considered, taking into account that only 33% of companies make their documents known inside as well as outside the company. In other words, the majority of companies (59%) make their ethics documents known within the organization only. (See Chart V).

Insert Chart V here

Now who is usually responsible for writing these documents and putting them into effect? Previously, it was pointed out that the questions included in the survey were for the most part answered by the Human Resources Department. This circumstance can be explained by the fact that there is a strong relationship between ethics and people. Hence the results of one of the previous question, included in the survey and relating to the person or group responsible for writing the ethics code or similar document. The highest percentage (67.4%) places this task in the hands of senior officers, followed far behind by 27%

corresponding to the committee in charge of supervising management. These two percentages together signify 94.4%, a highly significant figure indicating the considerable level of influence that individuals directing the company exercise over these matters. Other percentages, ranging from 13.5% and 14.6%, reflect different ways of participating in the process of writing these documents (whether this includes middle-management, employees, or rather a wide participative process). What is more, in 14.6% of the cases, independent consultants have intervened and collaborated in the process of organizing and establishing ethics documents in the company. (See Chart VI)

Insert Chart VI here

6. Conclusion

At this moment in time, a company occupies a central role in society due to the fact that social demands can no longer be reduced to economic subjects (economic growth, dividend increase, etc.), but rather a myriad of aspects are currently coming into play and being unmistakably influenced by businesses (the protection of the environment, an improvement in the quality of life, promotion of education and personal development, technological development, etc.). As a result, a company is forced to reinforce its social image. One way to achieve this is by acting ethically and considering social as well as, but not limited to, economic benefits (Mateos-Aparicio 1998).

On that note, the results of the survey conducted support the idea that Argentina's companies have begun to understand the role of ethics in securing their future, and now consider ethics an integral part of their business strategy. In the first place, the most significant finding indicates that 70% of the companies currently operating in the country are equipped with a formal document of ethical content. This percentage confirms the tendency observed in other industrialized nations of the world. In fact, the incursion into Argentina of companies from those very same nations may be connected to this country's institutionalization of ethics in business. Survey results thus allow for a first conclusion: the business world believes it is important that a document embodying moral values be prepared and enforced. This means that companies see in this document a valid instrument which has gradually earned its place within the company's organization.

It is possible to conclude that different circumstances have led to a high level of enforcement

of ethics documents in Argentina. Some of these variables are in fact closely connected to the recent crisis which led to a decadence of moral values and the loss of a national identity. Therefore, it appears natural that the boom in ethics documents be associated with a convergence of the following six factors (Brooks 1989):

- A lack of trust experienced by the public towards business activities
 - Higher expectations with regards to the quality of life
 - A demand that management not act solely for its own benefit
 - The increasing power of companies and the consequent need to regulate the activities of different interest groups
 - The public's growing concern for business-related issues
 - A change of perspective which leads to eradicating the idea of short-term benefit maximization as a company's sole objective
- Consequently, in today's Argentina, no business will prosper if it chooses to blatantly disregard the social environment characterized by high demands in the moral values front.

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Appendices

Table 1. Position of the individual who completed the questionnaire

Position	Number of Firms	Percentage
President	3	2.4%
Chairman of the Board	1	0.8%
Manager- CEO	6	4.8%
Manager/ Director of Human Resources	88	69.8%
Administrative and Financial Manager	2	1.6%
Director of Legal Services	3	2.4%
Human Resources Consultant	1	0.8%
Public Relations Manager	1	0.8%
Manager of Training and Development	2	1.6%
Manager of Employee Development/Ethics Director	2	1.6%
Chief Of Human Resources	4	3.2%
Chief of Employee Selection and Evaluation	2	1.6%
Human Resources Assistant	7	5.6%
No response	4	3.2%
Total	126	100.0%

Table 2. Responses received, by company size

Number of employees	Companies		Responses received		Proportion of Responses
	Number	Percentage	Number	Percentage	Percentage
> 20.000 - 10.000	11	2%	5	3.2%	45.5%
9.999 - 5.000	14	2.5%	9	7.2%	64.3%
4.999 - 2.000	54	9.7%	12	9.5%	22.2%
1.999 - 1.000	88	15.9%	25	19.8%	28.4%
999 - 500	163	29.3%	29	23.0%	17.8%
499 – less	225	40.5%	46	36.5%	20.4%
TOTAL	555	100.0%	126	100.0%	--

Table 3. Year of revision of ethics documents

Year	Responses received	Percentage
2001	24	15.5%
2000	40	25.8%
1999	9	6.0%
1998	3	2.0%
1997	10	6.5%
1996	3	2.0%
1995	1	0.7%
1994	1	0.7%
1993	1	0.7%
1988	1	0.7%
Periodic	2	1.3%
No answer	60	38.7%

Table 4. Formal documents according to the country in which central offices are established

Country	Number of responses	Have some sort of formal document	Percentage
Chile	3	3	100.0%
Italy	2	2	100.0%
Brazil	2	2	100.0%
France	2	2	100.0%
Netherlands	2	2	100.0%
Germany	3	3	100.0%
France	1	1	100.0%
Japan	1	1	100.0%
Ireland	1	1	100.0%
Switzerland	1	1	100.0%
México	1	1	100.0%
United Kingdom	6	6	100.0%
United States	38	34	89.5%
Spain	10	7	70.0%
Argentina	51	23	45.0%
Sweden	1	0	0.0%
Austria	1	0	0.0%
Total	126	89	--

Table 5. Formal Documents according to company type

Company type	Responses received	Have some sort of formal document	Percentage
Large multinational company	66	56	85%
Company listed on the Stock Exchange	46	38	83%
Medium or small-sized company part of an international holding	12	9	75%
Company with principal offices in Argentina	26	19	73%
National company not highly internationalized	20	9	45%
Family-owned company	26	11	42%

Table 6. Reasons for adopting an ethics document (Rickert scale from 1 to 7)

Reasons	Disagree							Agree	No answer	Mean
	1	2	3	4	5	6	7			
To publicize corporate philosophy	1	0	0	2	6	14	60	5	6.5	
To remind employees of their obligations	1	1	1	7	12	17	42	7	6.0	
To promote human development	4	2	0	7	9	18	38	10	5.8	
To foster trust	3	4	1	5	6	22	36	11	5.8	
To express a commitment to the public	4	6	3	4	6	13	36	16	5.5	
To prevent actions which might harm the company	10	1	8	9	9	12	31	8	5.1	
To achieve a competitive advantage	18	5	2	8	11	11	22	11	4.4	
To protect the company from lawsuits	15	3	5	15	11	10	16	13	4.3	

Chart 1. Companies with at least one formal document on ethics

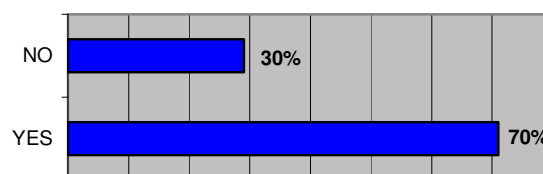


Chart II. Alternatives to formal documents on ethics

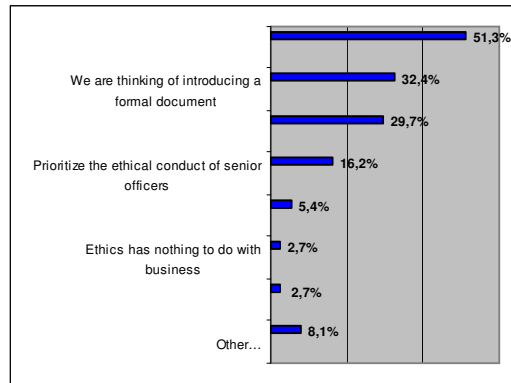


Chart III. Year in which an ethics code was instituted

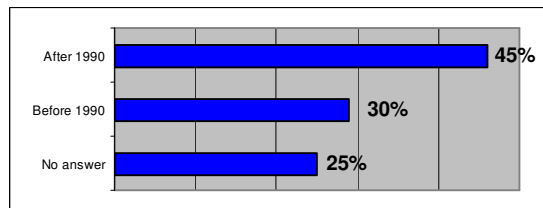


Chart IV. Medium for making formal documents known

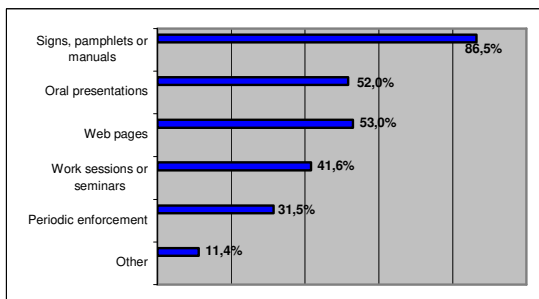


Chart V. Communication of formal documents

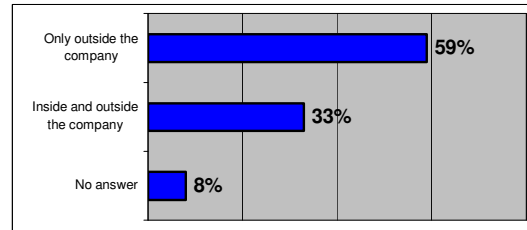


Chart VI. Individuals or groups in charge of preparing ethics documents

