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**CORPORATE ETHICAL POLICIES:
EVIDENCE FROM LARGE FIRMS IN CHILE**

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CORPORATE ETHICAL POLICIES: EVIDENCE FROM LARGE FIRMS IN CHILE

ABSTRACT

This study explores the current status of corporate ethical policies in the large-size firms currently operating in Chile and focus on the edition of formal documents on corporate ethics by means of a survey sent to the companies whose manning table exceeds 350 employees (460 firms), using for this selection the 2005 *Directorio ITV de Empresas en Chile* (ITV Directory of Corporations in Chile). The results obtained from the 116 responses received reveal that almost 60% of the firms possess ethics corporate documents; that in general there is consensus about the need to bear in mind the ethical conduct in the personnel selection, promotion and bonuses; and that generally a greater proportion of foreign firms have documents on ethics, as compared with the domestic firms. Likewise, a statistical verification was performed –whose results are only extrapolated to the large-size firms– on the correlation between possession of formal ethics documents and performance (measured as the value of 2005 sales), which had positive results and was statistically significant; at the same time, evidence was found, although somewhat weaker, to support the hypothesis of statistically positive correlation between such documents possession and the number of employees.

Keywords: Corporate ethical documents, Business ethics policy, Codes of conduct, Chile.

JEL Classification: M19, M14

INTRODUCTION

During approximately the last twenty years, an increasing interest has been evidenced in the entrepreneurial world for setting up and developing corporate ethical policies that permit to encourage and strengthen good ethical conducts among the firm directive staff and employees. Chile has not been on the fringe of this process, although probably the greatest efforts on the matter have only been perceived in the last decade. The internationalization and opening of the country's economic activity, the world globalization process, the dynamism reached by business operations and the abundantly talked of cases of corruption that have affected major companies in developed countries appear to be some of the factors that would explain the motivation of Chilean firms in this scope. Without detriment to the foregoing, the signs arising from the daily experience of the country's entrepreneurial life demonstrate that there is still much to do in the establishment and application of corporate ethical policies. Indeed and according to reality, the studies on the field under comment performed until now are only a few and quite simple.

One of the forms –although not the only one– whereby the above mentioned policies are expressed lies in the development and implementation of formal written documents on ethics, oriented to serve as a guideline for the conduct of the company members, both inside and outside the firms.

The purpose of the present study is precisely to carry out a research that permits to quantitatively measure the level of progress achieved by the major Chilean firms in this specific aspect of corporate ethical policies. Both in terms of its novelty and its rigor, the present research is hitherto unheard of in Chile and one of the few that have been performed in Latin America to this date. The most relevant reference among those recently submitted corresponds to the comparative study among Spain, Argentina and Brazil prepared by Melé, Debeljuh & Arruda (2006), who furthermore carried out a comprehensive review of the existing literature on corporate ethical documents.

The main contribution of this document is the provision of a radiograph of the major firms in respect of the above mentioned subject as well as a base for comparison of the Chilean situation with other countries of the region and also of other latitudes. Its findings will serve as the base for new studies that would enable to continue expanding knowledge on this field, and will incidentally be useful as an instrument of information and improvement for the companies operating in Chile.

METHODOLOGY AND RESULTS

Instrument and Sample

The major companies operating in Chile were selected; as selection variable the number of employees was considered, based on information recorded in the 2005 edition of the *Directorio ITV de Empresas en Chile* (ITV Directory of Corporations in Chile), in order to include all companies with 350 employees as a minimum. A letter addressed to the General Manager was sent by post to each company, including a brief questionnaire to be responded by the latter or his/her nominee.

The applied questionnaire is an adaptation to the Chilean reality of the form designed by the Department of Corporate Ethics of the IESE Business School, University of Navarra, for a similar study conducted in Spain (Melé, Garriga & Guillén, 2000). The design intends that the time required for responses is of 10 minutes as a maximum.

Excluded from the study were non-profit firms, educational organizations, subsidiaries and governmental offices. Thus, a universe of 460 eligible firms was obtained, from which 116 responses were received (25.22% of the total, which is a proportion of responses somewhat greater than that obtained by Melé *et al* (2006) in Spain, Brazil and Argentina, and similar to other studies they refer to). A first remittance took place by mid-July and a second (to those whose responses had not yet been received) by end-August. In broad terms, half of the total responses were received from each of said remittances. New responses were included until end-October 2006. These were received by three alternative means, namely: post, fax and web-based forms. The researchers subscribed a commitment to keep confidential the identity of the companies that had responded the survey.

Survey Results

Of the 116 respondent firms, sixty-nine of them (59.48%) declared to have issued at least one formal document on ethical business practices. This percentage is somewhat lower to the results obtained by Melé *et al* (2006) for their comparative study of Argentina, Brazil and Spain, where the issue of ethical statements was declared by at least 70% of the firms in each country.

Tables 1 and 2 show a break-down of responses received by size of the company (in number of workers) and by industrial sector, respectively. The mean and median of workers in the responding sample was 2102.7 and 950, respectively. An interesting result concerns the positive correlation observed in the sample between the number of employees and the existence of formal documents (Pearson's correlation coefficient between the log of the number of workers and the possession of documents is 27%).

The highest concentration of responses was in the range of 500 to 749 employees (20.7%) and of 1,000 to 1,499 employees (17.24%). As for industries, the one appearing as mostly represented corresponded to assorted services (29.31% of the responses), followed by the manufacturing sector (22.41%). The sectors having the lowest proportion of firms with at least one formal document were agriculture-cattle-forestry, and construction (46.15 and 42.86%, respectively). In turn, the industries recording a higher percentage of formal documents were commerce and mail & communications (83.33% each).

TABLE 1: Responses sorted by number of employees

Number of employees	Responses received		Issued document(s)?	
	Number	% of Total Responses	Yes	% of Responses
Over 20,000	1	0.86 %	1	100.00 %
20,000 - 10,000	4	3.45 %	3	75.00 %
9,999 - 5,000	5	4.31 %	4	80.00 %
4,999 - 3,000	13	11.21 %	10	76.92 %
2,999 - 2,000	8	6.90 %	7	87.50 %
1,999 - 1,500	7	6.03 %	5	71.43 %
1,499 - 1,000	20	17.24 %	14	70.00 %
999 - 750	13	11.21 %	6	46.15 %
749 - 500	24	20.69 %	10	41.67 %
499 - 350	21	18.10 %	9	42.86 %
Less than 350	0	0.00 %		
Total Responses	116	100 %	69	59.48 %

Table 3 permits to appreciate that most of the firms that expressed having some formal document on ethics reported to possess a statement on Mission/Vision involving ethical values (60 out of 69 responses, i.e. nearly 87%), of which forty one (68.3%) had been created after 1995, which is indicative of the generally short period of existence of these documents (10 years or less). Likewise, over half of the firms that declared to possess such documents affirm that they count with a code of conduct (68%) and a Creed/Statement of Values (59%), most of which were created after 1995. Thirteen firms (nearly 19%) express they have some type of document (or documents) other than the above three already mentioned.

TABLE 2: Responses sorted by industry

Industrial sector	Responses % of		Issued document(s)?	
	Number	Total Responses	Yes	% of Industry
Electricity, Gas and Steam	6	5.17 %	4	66.67 %
Mail and Communications	6	5.17 %	5	83.33 %
Trade	6	5.17 %	5	83.33 %
Fishing	7	6.03 %	4	57.14 %
Construction	7	6.03 %	3	42.86 %
Mining	11	9.48 %	7	63.64 %
Forestry, Agriculture, Cattle	13	11.21 %	6	46.15 %
Manufacturing	26	22.41 %	17	65.38 %
Other Services	34	29.31 %	18	52.94 %
Total Responses	116	100 %	69	59.48 %

TABLE 3: Year of creation of the documents

Document	Pre-1995	Post -1995	NS/NR*	Total	Percentage
Mission/Vision with ethical values	15	41	4	60	86.96 %
"Creed" or Statement of Values	10	27	4	41	59.42 %
Code of Conduct	11	29	7	47	68.12 %
Other	3	8	2	13	18.84 %

* NS/NR: Does not know/Does not respond

TABLE 4: Firms and number of formal documents

Documents	Frequency	Percentage
One	16	23 %
Two	19	28 %
Three	29	42 %
Four and above	5	7 %
Total	69	100 %

In Table 4 it can be seen that over three quarters of the 69 companies that state to count with such documents asseverate they have more than one (53 firms or 77%) and almost half of the firms having documents declare they have three or more (34 firms, 49%), although only seven per cent declare to have four or more documents (5 firms).

TABLE 5: Year of formal documents last modification

Document	Minimum	Maximum	Mean	Before 2000	2000	2001	2002	2003	2004	2005	2006	NS NR*	Total responses
Mission/Vision with ethical values	2000	2006	2005	0	1	1	2	3	8	21	13	11	49
Creed/Statement of Values	1991	2006	2005	3	0	1	0	1	7	13	6	10	31
Code of Conduct	2002	2006	2005	0	0	0	2	1	5	20	9	10	37

* NS/NR: Does not know/Does not respond

TABLE 6: Communication of formal documents

Document(s) has/have been communicated	Only inside the firm	Outside the firm	Not communicated
Mission/Vision with ethical values	58.93%	33.93%	7.14%
"Creed" or Statement of Values	64.86%	24.32%	10.81%
Code of Conduct	80.00%	17.50%	2.50%

Table 5 shows that most of the documents recently suffered modifications. Eighty three per cent (34 out of 41) of the Mission/Vision documents, i.e. sixty one per cent (19 out of 31) of the documents on statement of principles or “creed” of the company and seventy eight per cent (29 out of 37) of the codes of conduct were modified in the last two years; 2005 is precisely the median of said modification. This demonstrates that most of the formal documents have either been periodically modified or created only a short time ago.

Table 6 refers to the communication of documents. Although in general these documents have been communicated at least inside the company, the attention is called to the fact that both Mission/Vision and the "Creed of Values" have only been divulged outside the company by 33.9% and 24.3% respectively of the cases in which said documents actually existed. This figure is even lower in the case of the Code of Conduct (17.5%), although this figure is understandable if we think that these codes correspond to documents whose contents are rather associated to the employee/employer relationship than to the employee/society or employee/other entities relationship.

TABLE 7: Formal documents by the head office country

Country	Responses	With documents	Percentage
U.S.A.	8	6	75.00 %
Switzerland	4	4	100.00 %
United Kingdom	3	3	100.00 %
Holland	1	1	100.00 %
Italy	1	0	0.00 %
Norway	1	1	100.00 %
Brazil	1	1	100.00 %
Spain	6	5	83.33 %
Australia	1	1	100.00 %
Mexico	1	1	100.00 %
Chile	89	46	51.69 %
Total	116	69	

TABLE 8: Formal documents by type of firm

Firms self-identified as:	Responses	With documents	Percentage
Listed companies	34	27	79.41%
Major multinational firms	28	25	89.29%
Barely internationalized firms	35	16	45.71%
Companies belonging to or forming part of an international holding	8	7	87.50%
Family businesses	36	18	50.00%

Table 7 illustrates the results obtained by country of origin of the head office. Out of the 27 respondent firms having a foreign head office, 23 declare to have formal documents on ethical practices (85.2%). Quite on the contrary, among the Chilean respondent firms, slightly over a half declared to have some document (46 out of 89 companies, i.e. 51.7%). This result, however important, does not differ from those obtained in similar studies prepared in Spain, Argentina and Brazil (Melé *et al.*, 2000; Melé *et al.*, 2006), where the local respondent companies were also approximately divided into halves with and without formal documents; a much greater proportion of foreign companies exists that actually count with documents of an ethical nature. A possible explanation can be that in order to become successfully internationalized, the firms require to define clear guidelines concerning their values and practices and the adaptation of the same to the culture of the other country, with a view to avoiding (or smoothing) the sources of conflict with the agents present in the countries where their subsidiaries are located – a condition that could not appear as imperative to the purely local operating firms or to those being only a little internationalized.

Table 8, in turn, shows that most of the firms being self-identified as large multinational firms or small/medium size companies belonging to an international holding declare to possess some formal document on ethical politics (89.3 y 87.5% respectively), while less than half of the local companies being little internationalized that responded the survey declare to possess one such document; this also agrees with the explanation given in the preceding paragraph.

TABLE 9: Arguments for justifying lack of formal documents

Motive	Number	Percentage
It is unnecessary to strengthen the ethical behavior	2	4.26%
We believe the most important matter is the ethical behavior of the top management	15	31.91%
We try to strengthen it without documents	33	70.21%
We apply already existing codes of ethics	14	29.79%
We do not see the usefulness of a code	0	0.00%
We are thinking to introduce a document	16	34.04%
Ethics has nothing to do with business	0	0.00%
<i>It is present in the manuals on procedures, although not formally</i>	<i>1</i>	<i>2.13%</i>
<i>We are aware of its importance but have not documented it</i>	<i>1</i>	<i>2.13%</i>
<i>We are a small-size firm focused on day-to-day activities</i>	<i>1</i>	<i>2.13%</i>

TABLE 10: Arguments in favor of having formal documents (Scale 1 to 7)

Argument	1	2	3	4	5	6	7	Responses	Mean
Communicate corporate values or philosophy	0	0	0	1	3	5	59	68	6.79
Present a public commitment	2	2	3	13	8	12	27	67	5.49
Remind the employees about their obligations	0	0	1	5	14	15	33	68	6.09
Avoid detrimental actions	4	4	0	7	11	13	27	66	5.48
Promote human development in the firm	0	1	0	5	7	19	36	68	6.22
Achievement of a competitive advantage	4	1	4	15	9	11	23	67	5.22
Protect the firm against legal actions	5	7	1	19	15	6	14	67	4.58
Generate confidence inside the firm	0	0	1	11	10	19	26	67	5.87

TABLE 11: Inspirational general principles (Scale 1 to 5)

Principle	1	2	3	4	5	Responses	Mean
Legal requirements in force	7	10	15	18	18	68	3.44
Human Rights (international texts)	20	11	15	15	6	67	2.64
Universal ethical principles	0	1	7	29	32	69	4.33
Human virtues	0	0	6	26	37	69	4.45
Utilitarianism	9	8	21	19	9	66	3.17
Values generally accepted by society	0	0	10	24	33	67	4.34

Table 9 allows observing the reasons argued by the 47 firms that do not possess such documents in order not to have formal ethical policies. The most cited reason for not having issued a document to date was that "the idea is to strengthen the ethical behavior without any document" (70.2%). A non-negligible proportion of the survey respondents indicated that those involved "are thinking to introduce a document within the short term" (34%), that "the essential condition is the ethical behavior of the senior management" (32%), or that "codes are applied that already exist in the profession" (nearly 30%). Nobody argued not to see any usefulness in a code nor that ethics bear no relationship with business. Obviously this result could be expected, since if someone does not establish the relationship between ethics and business, or if that were his/her opinion, a response to our survey would seem improbable.

On the other hand, Table 10 shows the reasons for effectively having the formal documents whose existence was consulted to the companies. The managers were requested to evaluate in a scale of 1 to 7 the importance of each reason in elaborating the documents in general; the highest averages obtained corresponded to the diffusion of the corporate values or philosophy (6.79) and the promotion of human development in the company (6.22); the reasons registering the lowest averages were those susceptible to be perceived as less altruistic, such as to protect the firm against legal actions (4.58) or to achieve a competitive advantage (5.22). The mode of the marks (or the most repeated mark) was in all cases equal to 7, except for the motivation to protect the firm against legal actions, which shows a 4 mark.

In line with Table 10, Table 11 reflects the gradation (scale of 1 to 5) by the respondents who declare to have formal documents concerning the importance of some general inspiring principles toward the elaboration of the corporate documents. In general, the principles declared as most relevant were human virtues (average 4.45; modes 4 and 5), values generally accepted by the society (average 4.34; mode 5) and universal ethical principles (average 4.33; mode 5). Our attention is called, in contrast, to the fact that international texts on Human Rights are generally those less recognized as an inspiration for the elaborated documents (average 2.64; mode 1).

TABLE 12: Perception of impact caused by the documents (Scale 1 to 7)

Impact perceived in	1	2	3	4	5	6	7	Responses	Mean
Avoiding unethical conducts	0	0	2	8	16	25	17	68	5.69
Improving the corporate image	0	4	3	7	14	25	15	68	5.44
Day-to-day management	0	2	1	8	18	25	14	68	5.54
Configuration of corporate policies and practices	1	0	2	4	9	26	25	67	5.96
Construction of the corporate culture	0	0	1	2	9	17	39	68	6.34
Development of human excellence	1	0	1	5	10	28	23	68	5.93

TABLE 13: Emphasis on determined ethical aspects (Scale 1 to 5)

Aspect	1	2	3	4	5	Responses	Mean
Enhance common professional ethical rules	1	0	6	26	36	69	4.39
Inform every one of his/her expected conduct	0	1	2	24	42	69	4.55
Express the values assumed by the firm	0	0	2	13	54	69	4.75
Construct the corporate identity	0	0	4	21	44	69	4.58
Promote human excellence	1	0	4	22	42	69	4.51

Table 12 shows a summary of qualifications made by the respondents having formal documents regarding the impact of their documents in the company, in diverse aspects. The high average impact declared in the construction of the corporate culture is underscored (6.34). On the other hand, a relatively lower repercussion is perceived in less altruistic aspects, a trend that is in line with the observation made above referring Table 10, where the lowest average qualifications corresponded to those associated to an improvement of the corporate image (5.44) and the day-by-day management (5.54), which are equally considerably high in a scale of 1 to 7. Consistently with the foregoing, the marks mode ranged between 6 and 7. This means, in respect to the responding firms, that their documents are perceived as highly successful in terms of their positive impact.

Table 13 summarizes the marks assigned by the respondent firms to the emphasis put by these documents in five specific ethical aspects. The average marks range between 4.39 and 4.75 (scale of 1 to 5), and the mode of 5 prevailed in all cases; this means that in general it would seem that the documents on ethical policies would not be focused in a specific way on some ethical aspect in particular.

TABLE 14: Documents diffusion systems

Method	Frequency	Percentage
Posters, booklets or manuals	59	85.51%
Document presentation in the web site	49	71.01%
Verbal presentations	53	76.81%
Periodic revision of compliance	23	33.33%
Work sessions or seminars	31	44.93%
<i>Individual delivery against signature</i>	3	4.35%
<i>Meetings of Ethics Committee</i>	2	2.90%
<i>Induction courses</i>	1	1.45%
<i>Corporate Liability Yearbook</i>	1	1.45%

If we observe Table 14, it is possible to realize that the method more widely applied by the companies having formal ethics documents intended to their diffusion is made through their distribution in posters, booklets or manuals (85.5%), followed by verbal presentations (76.8%) and inclusion of the document in the web site (71%). An interesting result among the proposed categories is that in one-third of the cases it was stated that a periodic revision of the practical compliance with the documents took place. This leads us to think that out of the two thirds of the firms that have issued formal documents, compliance with the provisions described therein is not periodically reviewed, whereby their content would be basically restricted to the printed paper.

TABLE 15: Emphasis on following ethical aspects of the firm (Scale 1 to 5)

Ethical aspects	With formal documents		Without formal documents	
	Responses	Mean	Responses	Mean
Indicate practices to be avoided	68	4.22	47	4.11
Indicate how to solve conflicts of interest	69	3.96	46	3.85
Penalize non-compliance with rules	68	3.59	46	4.07
Encourage human excellence	69	4.48	46	4.26

Table 15 reflects the emphasis put by each company on the diverse ethical aspects, whether or not formal documents exist. In both types of companies a coincidence was observed that shows a higher average in favor of human excellence (4.48 in companies having documents, 4.26 in those without documents), followed by the indication to point out practices that should be avoided (4.22 and 4.11 respectively). It is worth to underscore that the average mark for the different aspects, is higher in the companies having formal documents as compared with those lacking same, with the sole exception of the penalization for non-compliance with the rules, which reaches a higher average in the companies without documents (4.07 against 3.59).

TABLE 16: Other initiatives of an ethical character

Initiative	Firms with documents	Firms without documents	Total
There are programs on ethical formation for directive staff or employees	21.74%	4.26%	14.66%
There are standardized procedures for handling problems related to ethical matters	34.78%	17.02%	27.59%
There is a special office in charge of follow-up of corporate ethical matters	20.29%	0%	12.07%
Research programs on corporate ethical research are supported (inside/outside the firm)	13.04%	0%	7.76%
Ethical behavior of individuals is considered in selection, evaluation and promotion of personnel	89.86%	76.60%	84.48%
Periodic reports or audits are performed on ethical aspects of the firm	31.88%	12.77%	24.14%

Table 16 summarizes the results obtained on the reporting of initiatives of an ethical character other than the issuance of documents. It should be noted that 84.48% (89.86% for firms having documents and 76.6% for those lacking same), express that considering for selection, evaluation and promotion matters each individual's ethical behavior is by far the most popular initiative among the respondents. Melé *et al* (2006) obtained slightly lower results for Argentina, Brazil and Spain, which they already considered to be high. On the other hand, none of the companies lacking documents informed having a special ethic-related matters office or to financially support any research program on ethics. Moreover, none of the proposed initiatives (except for linking ethical behavior to personnel selection, evaluation and promotion) was reported as been effectively implemented by over 32 of the 116 firms, regardless of their having or not elaborated formal ethical documents. These results are consistent with the idea that many firms that, at least apparently, fall into line with the formalization of policies on paper, but do not use substantial efforts to put them into practice. It is interesting to note that all the diverse proposed initiatives of an ethical nature (beyond the documents) are found in a remarkable greater proportion among the companies that possess ethical documents, as compared with those that do not have them.

TABLE 17: Main responsible party for ethical matters in the firm

Responsible party	Number	Percentage
The General Management	104	89.7%
Intermediate-level Managers	39	33.6%
Human Resources Management	34	29.3%
The Juridical Department	8	6.9%
An "Ombudsman"	1	0.9%
Nobody in particular	4	3.4%
<i>The President</i>	2	1.7%
<i>Another Management</i>	4	1.4%
<i>A Committee</i>	3	2.6%
<i>The Board of Directors</i>	6	5.2%
<i>"Everybody"</i>	4	3.4%

TABLE 18: Staff in charge of documents elaboration

Responsible party	Frequency	Percentage
The Board of Directors	24	34.78%
The Senior Management	57	82.61%
Managers at the different levels	28	40.58%
Managers and employees	17	24.64%
Independent experts advisors	22	31.88%
A communicative process with the main stakeholders	7	10.14%

As it is summarized on Table 17, 89.7% of the respondent companies (104 firms) identified the General Management as the main responsible for ethical matters in the company. Actors such as the "Ombudsman" (defendant of the employee or the consumer) would clearly appear as having no diffusion in Chile. It is interesting to note how some companies declared that "everyone" is the mainly responsible, when this would appear to be equivalent to state that "nobody in particular" is responsible.

Accordingly, Table 18 includes a break-down of the actors identified by the companies as being in charge of the elaboration of the documents –in the event these exist. In this respect, the top-management appears by far (82.6%) as the most mentioned entity responsible for elaborating such documents; only in very few cases the document is the product of a communicative process with the main stakeholders (10%). In other words, it seems that ethical matters are mostly a concern of the General Management; this being the case, the executive staff would be in charge of delivering guidelines on this important matter.

Relationship between the Release of Ethical Policy Documents and Other Variables

In this section we intend to explore the possible relationship between the possession of formal ethical documents and other variables associated to the company.

It is interesting to investigate whether the possession of formal documents is positively related to the sales level and, at the same time, whether a positive relationship exists between the possession of documents and the number of employees, all in the context of large-sized firms (those with a considerable number of employees). Therefore, our research hypotheses are:

Hypothesis 1a: The correlation between possession of ethical policy documents and sales level is positive.

Hypothesis 1b: The correlation between possession of ethical policy documents and the number of employees is positive.

Two statistical methods were employed to test these hypotheses: (a) testing for simple correlation between number of employees and possession of ethical documents, and between sales level and possession of ethical documents; and (b) multivariate analysis, which included a multiple regression model. A set of variables was introduced to control the industry and firm characteristics in the multiple regression equations. All variables were taken from our survey. Table 19 displays the mean, standard deviation and correlation matrix for those variables.

The different variables are defined as follows: *Sales* (log) and *Employees* (log) are the natural logarithms of the total sales of the firm in 2005, in US dollars, and the number of employees at the time, respectively. Then, we have a set of industrial dummy variables in which the different firms are classified: *Agriculture, Cattle and Forestry, Fishing, Energy, Mining, Manufacturing, Mail and Communications, Construction, Commerce and Retail*, and *Other Services*. In order to avoid perfect collinearity, the variable *Other Services* was omitted from the multiple regression estimation. *International* is a dummy variable which equals to one if the matrix firm is not in Chile, and zero otherwise. *Document* is a binary variable which equals to one when the firm has issued at least one ethical policy document, and zero otherwise. We use data for only 106 of the responding 116 firms, as the rest did not report their sales figures.

TABLE 19: Sample mean, standard deviation and correlation matrix of variables

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1 <i>Sales</i> (logarithm)	18.47	1.70												
2 <i>Employees</i> (logarithm)	7.06	0.96	0.45											
3 <i>Agriculture, Cattle and Forestry</i>	0.11	0.32	-0.25	-0.10										
4 <i>Fishing</i>	0.06	0.24	-0.14	-0.01	-0.09									
5 <i>Energy</i>	0.05	0.22	0.21	-0.13	-0.09	-0.06								
6 <i>Mining</i>	0.09	0.29	0.24	-0.05	-0.12	-0.08	-0.08							
7 <i>Manufacturing</i>	0.22	0.42	-0.07	-0.01	-0.20	-0.14	-0.14	-0.18						
8 <i>Mail and Communications</i>	0.05	0.22	0.04	-0.02	-0.09	-0.06	-0.06	-0.08	-0.14					
9 <i>Construction</i>	0.06	0.24	-0.07	0.04	-0.09	-0.06	-0.06	-0.08	-0.14	-0.06				
10 <i>Retail</i>	0.05	0.22	0.21	0.23	-0.09	-0.06	-0.06	-0.08	-0.14	-0.06	-0.06			
11 <i>Other Services</i>	0.29	0.46	-0.04	0.05	-0.22	-0.15	-0.15	-0.20	-0.34	-0.15	-0.15	-0.15		
12 <i>International</i>	0.23	0.42	0.29	0.08	-0.13	-0.04	0.06	0.12	-0.10	0.06	-0.14	0.06	0.11	
13 <i>Document</i>	0.59	0.49	0.37	0.27	-0.09	-0.06	0.02	-0.02	0.07	0.11	-0.06	0.11	-0.05	0.25

Simple correlation test. Assuming normality, it is possible to test our hypotheses on the simple correlation coefficient between *Document* and *Sales* (log) and between *Document* and *Employees* (log), as reported on Table 19. Using the well-known test distribution of the inverse hyperbolic tangent of Pearson's coefficient, each null hypothesis of non-positive correlation is rejected, since the p -value obtained was inferior to 0.01 in both cases. In conclusion, there seems to be a significantly positive relationship between document possession and sales, and between document possession and number of employees. Results are displayed on Table 20.

Multivariate regression. Multiple variable regressions, with *Document* as dependent variable, were calculated. The results of Binary Probit and Logit regressions estimates (with and without industry dummies) are provided in Table 21, supporting in all cases hypothesis 1a, while only marginally supporting hypothesis 1b: although all relevant regression coefficients obtained were positive, those referred to *Employees* (log) are not significantly different to zero at significance levels of 1% and 5%, rejecting the null hypothesis of the corresponding coefficient being equal to zero at the significance level of 10% (using single-tailed test p -values).

TABLE 20: Correlation tests results

Variables	Sample Correlation	z-Statistic	p-value*
<i>Sales (log) and Document</i>	0.37	3.89	0.000
<i>Employees (log) and Document</i>	0.27	2.80	0.003

* Single-tailed test. ($H_0: \rho = 0$ v/s $H_1: \rho > 0$)

TABLE 21: Regression estimates with *Document* as dependent variable

	(1)		(2)		(3)		(4)	
	Coefficient	<i>p</i> -value*	Coefficient	<i>p</i> -value*	Coefficient	<i>p</i> -value*	Coefficient	<i>p</i> -value*
<i>Intercept</i>	-11.60	0.00	-6.70	0.00	-9.80	0.00	-5.80	0.00
<i>Sales (log)</i>	0.49	0.02 [.008]	0.30	0.01 [.005]	0.39	0.02 [.009]	0.24	0.01 [.005]
<i>Employees</i>	0.39	0.20 [.10]	0.19	0.25 [.13]	0.42	0.13 [.06]	0.22	0.15 [.08]
<i>International</i>	1.23	0.06	0.67	0.07	1.09	0.08	0.60	0.08
<i>Industry dummies (8)</i>	Yes		Yes		No		No	
Estimation Method	Binary Logit		Binary Probit		Binary Logit		Binary Probit	
Nr. of independent variables	11		11		3		3	
McFadden's Pseudo R ² (LRI)	17.91%		17.80%		15.04%		14.83%	
Sample size	106		106		106		106	

* Double-tailed individual significance tests' *p*-values reported. Single-tailed *p*-values for hypotheses 1a and 1b reported in brackets.

CONCLUDING REMARKS

As it can be observed from the results reported in this document, although a relatively important percentage of the major firms operating in Chile has elaborated at least one formal written document on ethics, there is still a wide space for other companies to be incorporated in that group. Likewise, it is clearly appreciated that there is ample margin available for those that do possess said documents to delve in depth in their elaboration and especially in the work of making them operative inside the organizations, through a wider involvement of the persons with the written instruments.

In an analysis of companies, our attention is called to an outstanding fact, namely that those having an international origin (that belong to holdings whose head offices are located abroad) show a higher trend to possess formal documents as compared with those whose head office is in Chile. Similarly, it is interesting to note the statistically positive correlation found between the possession of documents and sales value, and to a lesser extent, between the possession of documents and the number of employees.

As concerns the effective term of the documents, the research indicates that their elaboration has in general taken place only quite recently. Something similar occurs in the modifications introduced to the texts. Both findings would show that the Chilean entrepreneurial dynamism in this scope does not go back a long way. In relation to this aspect, the attention is drawn to the low index of revision made in the compliance with the practice of the existing documents content. One plausible interpretation here would be that the guidelines established therein are basically restricted to the paper, and a weakness or absence of operability of the contents is appreciated.

It is also interesting to note that communication of the documents has been preferably performed to the inside of the organizations, in apparently clear contrast with the communication outside them (the community in general). The latter fact would indicate that firms have considered more relevant to emphasize the need to strengthen internal conducts than those which are manifested more externally. However, it could also be thought that this would refer to other evidence of the youth of this type of initiatives or else, that no greater links have been established thus far between the conducts and their external repercussion with other stakeholders.

Upon their being consulted about any other ethical initiatives that are under implementation, the single really worthwhile noting response based on its frequency is that the ethical behavior of the individuals is taken into account in their selection, evaluation and promotion. The scant mention of other eventual initiatives seems to go along the same above mentioned explanations, i.e., that there is still much to do and that the presence of written documents does not have a similar correlation in activities incorporating

their contents in the everyday life of the firms. In spite of the above, it should be left on record that the firms possessing formal documents in average develop initiatives on ethics in a greater degree than those where said type of instruments are lacking.

In the field of motivations for having formal documents, the diffusion of values or the corporate philosophy is underscored, a purpose that would be accomplished by contrast with the perception of the impact meant by the possession of documents, where in the first place it is evident that said documents collaborate in the task of construction of the corporate culture.

It is worth recording as a relevant result the fact that, upon being inquired about the arguments for the lack of formal documents, none of the firms involved provided a sound basis in the sense that the usefulness of a code is not seen, nor that ethics would bear no relation with the business of with the company. Moreover, a substantial proportion of respondents stated that the proposal of introducing a document in their firm within a short time is now under study. These could be stimulating signals of future development of this area in the country.

On the other hand, it is evident that for firms operating in Chile, the General Management is the mainly responsible entity for the corporate ethical matters. Accordingly, the individuals that perform said position are defined as those being responsible for the elaboration of the respective documents. It would seem, therefore, that ethical subjects would principally be a matter of concern for the General Management and not for the company as a whole. Consequently, it is them who should furnish the guidelines in such an important area.

Finally, it is plausible to mention that, in general terms, the findings of the present study have corroborated the intuition (and subsequent research hypotheses) of the authors on the current corporate ethical reality in Chile. These results encourage future works to continue expanding on this line of research, and make evident the value of delving deeper in comparative studies that permit to cast more light on the practice of ethical policies by the firms.

APPENDIX A: THE INSTITUTIONAL CONTEXT IN CHILE

As Martínez, Stöhr & Quiroga (2007) point out, Chile is a very trade-dependent South-American nation, more open and market driven than most developed countries despite of being a physically remote and small economy. Market performance in recent decades suggests that continuing liberalization will make Chile an increasingly attractive target for all kinds of investment. The Chilean stock market is relatively well developed. The trading volume of stocks (as a share of GDP) is one the highest in Latin America, although still smaller than more advanced economies. Many institutional investors have emerged during the last twenty years, mainly because of the success of the Chilean Private Pension System, which has been recognized world-wide. There is also a high mobility of capital flows in and outside the country.

Chile exhibits Corporate Governance practices similar to those of most developing countries, with a fulfillment of 65% of the Corporate Governance Good Practice standards as defined by the OECD. This score is similar to results from South Korea and Malaysia, and better than those of Brazil, Argentina and Mexico. Particularly, in regards to shareholders participation and rights, and information and transparency diffusion, Chile scores as high as 71% and 88% respectively (McKinsey & Company, 2004).

New reforms have been released in recent years, such as the MK1 reform (Capital and stock market first reform) and the OPA law (Law of tender offers and Corporate Governance), and the MK2 reform is expected for late 2007. This new regulatory framework was designed in order to increase both transparency and flexibility for the different investors. In particular, the OPA law provides and guarantees a number of new protection mechanisms for minority shareholders, an issue of special relevance given the fact that the dominant property structure in Chilean firms is that of a controlling shareholder: Sixty of the largest publicly traded companies have a shareholder controlling over two-thirds of the shares (Lefort & Walker, 2000).

Finally, Chilean corporations are also trading their stocks in foreign markets. Foreign shareholders are massively increasing the demand for transparency and information upon management and the board. The ADR companies must report audit committee activities and their legal liabilities go way beyond those exclusive of the local market.

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