Corporate Governance, Ethics and Social Responsibility: Comparing Continental European and Anglo-Saxon Firms

Authors:

Inês Silva Vieira
Master Degree in Corporate Finance
Leiria Polytechnic, School of Technology and Management
Morro do Lena, Alto Vieiro
2411-901 Leiria - Portugal
Phone: +351 244 820300, Fax: +351 244 820310
E-mail: 2081558@student.estg.ipleiria.pt

Maria João Jorge
Leiria Polytechnic, School of Technology and Management
Morro do Lena, Alto Vieiro
2411-901 Leiria - Portugal
Phone: +351 244 820300, Fax: +351 244 820310
E-mail: mjoao.jorge@ipleiria.pt

Natália Maria Rafael Prudêncio Canadas
Leiria Polytechnic, CIGS- Management for Sustainability Research Center and School of Technology and Management
Morro do Lena, Alto Vieiro
2411-901 Leiria - Portugal
Phone: +351 244 820300, Fax: +351 244 820310
E-mail: natalia.canadas@ipleiria.pt
The recent scenario of international crises impels corporations to improve their image toward stakeholders. The dissemination of corporate social responsibility policies and codes of ethical conduct have been used with this purpose. The objective of this paper is to determine the characteristics of the corporate governance structure, corporate dimension, geographical location and financial structure that might influence the dissemination of both codes of ethical conduct and politics of corporate social responsibility. It was used a sample of companies listed on stock market of Lisbon, Madrid and London. The data collecting methods relies on the analysis of the corporation’s Reports and Accounts and their web site. We concluded that corporate governance characteristic influences the publication of both CE and CSR. The dimension and the geographical location characteristics affect the isolated dissemination of CSR and the publication of both CE and CSR. Finally, the financial structure influences the divulgation of CE.

KEY-WORDS: Corporate governance, corporate social responsibility, codes of ethics, stakeholders.

1. Introduction

The increased number of corporate scandals forced corporations to pay more attention to the significant impact of stakeholders on corporate development and corporate financial success. Scandals like Parmalat, Adecco or Ahold brought to the public opinion the required debate on corporate behaviour. As a result, critical questions have arisen. Hurst (2004, p. 5) considers that “continuing examples of questionable behaviour by individual employees and executives have given rise to critical questions of how corporate ethics efforts can be improved and can address the underlying causes of misconduct, as well as the growing demands for proactive, socially responsible and sustainable business practices”.

The image transmitted by corporations reflects its values and business conduct. At a time where the mass media and public opinion, in a general way, claim for social and ethical responsibility, corporations are opting to publicize their codes of ethical conduct and CSR policies, on their web sites. On theoretical side, several arguments have been put forward to explain the underlying reason why firms disseminate their codes of ethics (CE) and CSR. Some of them try to relate the personal characteristics of the Board or the corporation employees with their ethic and responsible attitudes (e.g., Dominguez et al., 2009; Ibrahim & Angelidis, 1995; Peterson, 2002; Prior et al., 2008; Rose, 2007; Zahra et al., 1993). Others try to demonstrate the impact of the existence of CE or CSR on the successful behaviour of corporations (e.g., Kaptein & Schwartz, 2007; Waddock & Graves, 1997; Webley & Werner, 2008). Despite all the studies published still remains the doubt on the effectiveness of such divulgation.

With the present study we seek to evaluate the corporate characteristics of the organizations that disseminate theirs codes of ethical conduct and their politics of CSR. In particular, we attempt to determine the characteristics of corporate governance, corporate dimension and financial structure which seem to be determinant to the publication of CE and CSR on the corporation’s web sites. Further, we analyze the existence of significant differences among continental European and Anglo-Saxon countries.
Considering the importance of stakeholders for organizations and attending to the relevance of the revealed information for consumers’ preferences, we limited our analysis solely to the CE and CSR divulged on corporation’s web site, ignoring the eventual existence of internal CE or CSR politics. This research is ordered in five more sections. Section 2 presents relevant literatures under the themes of stakeholder theory, corporate governance, codes of ethics and corporate social responsibility. Section 3 describes the research hypotheses and the research design is presented in section 4. Section 5 illustrates the empirical results and evaluates the degree to which the initial hypotheses are confirmed. The conclusions are established at the final section.

2. Framework and Empirical Evidence

This section identifies the relevant literature to the study. Thus, we present the main characteristics and conclusions of several studies undertaken under the thematic of stakeholder theory, corporate governance, codes of ethics and corporate social responsibility.

2.1 Stakeholder theory

Silveira et al. (2005) argued that stakeholder theory is based on sociology and the first use of stakeholder word happened in 1963, in a memorandum from the Stanford Research Institute. Freeman & Reed (1983, p. 88), state that “management thought has dramatically changed in recent years. There have been, and are now underway, both conceptual and practical revolutions in the way that management theorists and managers think about organizational life”. Those authors have proposed two definitions of stakeholders: a wide and a narrow sense. The wide sense stakeholder includes “any identifiable group or individual who can affect the achievement of an organization objectives” whereas the narrow sense includes any identifiable group or individual on which the organization is dependent for its continued survival. Freeman & Reed (1983) defined stakeholder as any group or individual that influences or is influenced by the firm's ability to achieve its own objectives. This concept embraces, in a wide way, all the agents who interact with the firm.

The stakeholder theory advocates that management decisions should balance and satisfy the interests of all stakeholders. This is not a consensual subject (e.g., Silveira et al., 2005). Even though, many authors have followed the idea of Freeman & Reed. Jensen (2001), for example, state that a company cannot maximize its value if it ignores the interests of its stakeholders, while Gibson (2000) believes that the stakeholders theory is relevant and commonly used when analyzing business ethics.

Because it encompasses much more than shareholders interests, this new concept brought a new vision that goes greatly further than the existing one. The mere economicist concept, isolated from corporate and society, has been exceeded. Firms are "social beings" inextricably linked and dependent on the society in which they operate. In this context, the awareness of the important role that stakeholders play in improving firm’s value, assume a vital magnitude. With the adoption of stakeholder theory the paradigm of business management suffered a huge transformation, thus requiring a new knowledge and a better way to act.

2.2 Corporate Governance

A) Concept

Corporate governance is a relatively new term, both in public and academic debates. Even though, the problems it deals with have been around for a long time (Farinha, 2003).
Corporate governance is a broad concept, which covers a large range of phenomena (Arjoon, 2005). Schleifer & Vishny (1997, p. 737) consider that corporate governance “deal with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment”. They suggest that corporate governance mechanisms are economic and legal institutions that can be changed through a political process. Their research concludes that the systems of successful corporate governance are those that combine legal protection for investors with a great weight of large investors.

The OECD states that corporate governance is a central component in the improvement of efficiency and promotion of economic growth as well as on upgrading investor confidence. This organization considers that CG evolves a range of relations between management team, the board of directors, stockholders and other agents with relevant interests (OECD, 2004).

The recognition of the impact of management activities in the creation of corporate value illustrates the importance of corporate governance issues. Lashgari (2004, p. 47) argues that corporate managers “can create and add value to the firm by proper investments and financing decision, or they may transfer and redistribute corporate wealth among stakeholders, as well as destroying shareholders wealth”. In turn, Hart (1995) believes that the subject of corporate governance arises when two conditions are combined. First, there is an agency problem, or conflict of interest involving members of the organization. Secondly, transaction costs are such that this agency problem cannot be dealt with through a contract. Farinha (2003) has the same opinion.

Jensen & Meckling (1976, p. 72) argued that “agency costs are as real as any other costs and it is necessary to take them into account in management activity. The level of agency costs depends, among other things, on statutory and common law and human ingenuity in devising contracts”. Therefore it is necessary to anticipate those costs during the management process. Only in this way corporations can optimize their resources.

Farinha (2003) considers that there are several reasons for the growing interest in corporate governance. First, the efficiency of the prevailing governance mechanisms has been questioned. Secondly the high profile financial scandals. The awareness of the vital importance of corporate governance is a key factor of success. It is, however, noted that the social and legal characteristics of each country or region seems to affect both, firm performance and the level of government within it (Anderson & Gupta, 2009). Based on a sample composed of 1736 firms from 22 different countries for the time period of October 2003 through June 2006, Anderson & Gupta (2009) have analyzed how a country’s financial structure and its legal system jointly impact a firm’s corporate governance structure and consequently its market performance (Anderson & Gupta, 2009). Firm performance was measured by Tobin’s Q and the independent variables were firm level corporate governance and the classification of countries along the two dimension of financial structure (market oriented and bank dominated) and its legal system (common law and civil law). They concluded that the corporate governance quotient was statistically significant and higher for firms operating within a market oriented financial structure than for firms operating within a bank-based financial structure. The authors explain that banks have the ability to obtain non public and financial information from firms and it can, in some extent, substitute the need for more corporate governance mechanisms. The authors have also shown that “(a) Tobin’s Q is positively impacted by higher corporate governance quotient for firms in countries with a market/common combination, and (b) negatively impacted by higher corporate governance quotient for firms in countries with a bank/civil combination” (Anderson & Gupta, 2009, p. 26).

La Porta et al. (1999) have explored the determinants of the quality of government. The quality of government was measured by proxies for interventionism, public sector efficiency,
quality of public good provision, government size, and political freedom. The data was obtained for a set of different countries during the 1990s. They verified that rich countries have better government than poor ones and that there is clear evidence that the historical circumstances (measured by ethno linguistic, heterogeneity, legal origins and religion) affect government performance. The authors found that “countries that are poor, close to equator, ethnolinguistically heterogeneous, use French or socialist laws, or have high proportion of Catholics or Muslims exhibit inferior government performance” (La Porta et al., 1999, p. 2).

Hence, as mentioned by Lashgari (2004) systems of corporate governance diverge significantly between different countries.

Rose (2007) have analyzed corporate governance characteristic and tried to relate them to firm performance. The author database included the Danish firms listed on Copenhagen Stock Exchange for the time period of 1998-2001. The necessary data was obtained through corporation’s annual accounts and Green Online. The corporate governance characteristic included the women and foreign participation on supervisory board. The firm performance variable was calculated through corporations Tobin’s Q, measured by the market value of equity plus book value of debt, all divided with book value of assets. The results suggest that the women participation in board team does not influence firm performance.

Besides the legal characteristics of each country, stakeholders also assume an important role in corporate governance. For Bonn & Fisher (2005), the concept of corporate governance is related to the process by which organizations are managed and controlled, requiring a balance between the interests of various stakeholders and society as a whole to the economic objectives of the organization. In this context the interaction between firms and their stakeholders becomes increasingly important. The awareness of the relevant importance of stakeholders to corporate success permits the definition of new goals and new ways to reach them.

B) Mechanisms of Corporate Governance

Silva et al. (2006) consider that corporate governance comprise all the mechanisms which are related to the definition and fulfilment of corporate goals. Farinha (2003) considers that the existing evidence strongly suggests that some managerial actions are inconsistent with the maximization of shareholders’ interests. Hence, the adoption of mechanisms of corporate governance assumes an imperative role.

Accordingly to Hart (1995) there are several mechanisms for controlling management activities. Those mechanisms’ are the board of directors, proxy fights, large shareholders, hostile takeovers and financial structure. The board of directors is elected by the shareholders “to act on their behalf, and the board, in turn, monitors top management and ratifies major decisions” (Hart, 1995, p. 681). Because the board of directors may fail on its monitoring activity, shareholders can replace them, and the standard way to do it is trough a proxy fight: “a dissident shareholder puts up a slate of candidates to stand against management’s slate, and tries to persuade other shareholders to vote for his (or her) candidates” (Hart, 1995, p. 682). The third mechanism to improve corporate governance identified by Hart (1995) consists of ensuring that the firm has one or more large shareholders. Large shareholders have a bigger incentive to monitor management activities. According to the author, all the described mechanisms have a problem: “those who incur in the costs of improving management receive only a (relative) small fraction of the gains” (Hart, 1995, p. 684). That problem can be solved by a hostile takeover. Finally, we can also use the financial structure, in particular, corporation’s debt, to monitor the manager’s performance because “debt serves as a bonding or commitment device” (Hart, 1995, p. 685).
Anderson & Grupta (2009) have considered eight measures to analyze corporate governance quotient, namely the board characteristics, the anti-takeover provisions, the executive and director compensation, qualitative factors, the auditor and audit committee related, the charter/bylaws, the director and management ownership and the director education. They concluded that higher corporate governance quotient implies better firm level corporate governance and corporate governance quotient was statistically significant and higher for corporations operating within a market oriented financial structure than for firms operating within a bank-based financial structure. The underlying reason might be the fact that banks have the ability to obtain non public and financial information from firms and it can, in some extent, substitute the need for more corporate governance mechanisms (Anderson & Gupta, 2009).

Farinha (2003) presented several internal and external mechanisms of corporate governance. The internal disciplining mechanisms are quite similar to those identified by Hart (1995) and include the large institutional shareholders, the board of directors, the insider ownership, the compensation packages, the debt policy and the dividend policy. The external mechanisms comprise takeover threat, the product-market competition, security analysis, the legal environment and the role of reputation. The author considers that all of the mechanisms have different marginal costs and marginal benefits which are not identical across firms or industries. “As a result, we might expect that firms would rather rely on mixes of such monitoring mechanisms” (Farinha, 2003, p. 48).

Schleifer & Vishny (1997) consider that corporate governance deal with the agency problem and its basic issue is to define the reasoning that guarantee that financiers will get the return to their investment. Firstly, the authors considered that the underlying reason might be on the managers need to obtain a good reputation in the capital market or on the excessive optimism of investors who believe they will get their money back. Then, Schleifer & Vishny (1997) have considered several additional reasons that might justify investor’s behaviour, namely legal protection of investors and concentration of ownership. They argued that “legal protection of investor rights is one essential element of corporate governance” Schleifer & Vishny (1997, p. 56). But legal protection does not give enough control right to small investors. That is the reason why “concentration ownership - through large shareholders, takeovers and bank finance - is also a nearly universal method of control that helps investors to get their money back” Schleifer & Vishny (1997, p. 56).

C) Models of Corporate Governance

Accordingly to Ooghe & Vuyst (2001, p. 6) the “differences in the business context are the main reason for the differences between the corporate governance models”.

There are two main models to distinguish: the Anglo-Saxon model and the continental European model. The Anglo-Saxon model is also known as the shareholders model and is characterized for its low concentration of shareholders. The continental European model is also known as the stakeholder’s model and is characterized by its large concentrations of shareholders.

Anglo-Saxon firms are normally larger than their continental European counterparts. The Anglo-Saxon firms’ shares are mainly hold by financial institutions rather than private persons. This characteristic contrasts with the continental European reality, where private firms, financial firms and private persons hold most of the shares. Another difference states that a large number of Anglo-Saxon firms are publicly traded, where their continental European counterparts have a fewer number of publicly traded firms. The final characteristic that permits the comparison between continental European and the Anglo-Saxon firms is the mutual shareholding. Continental European countries tend to hold larger stacks into other
companies. Ooghe & Vuyst (2001) consider that as a result of the low concentration in Anglo-Saxon countries, most shareholders have no significant power in any firm. This leaves managers with power to decide on many problems. This characteristic tends to produce a short term orientation of management. Continental European countries tend to be more long term oriented.

According to Cernat (2004) the Anglo-Saxon model is commonly used in United Kingdom and United States of America and the continental European model is frequently adopted by Germany, Netherland or Austria.

La Porta et al. (1999) have identified that Portugal and Spain legal systems have the same French civil origin and United Kingdom belongs to the common law tradition. On their research Anderson & Grupta (2009) have also classified Portugal and Spain as civil law based countries where the financial structure was bank based. United Kingdom was classified as a common law based country which financial structure is market based. As so, one might expect different corporate governance structures between United Kingdom and the Iberian countries.

2.3 Codes of ethics

In the present context the subject of organizational ethics has assumed a particular importance. The numerous researches developed under this thematic (see Appendix 2.1) demonstrate the importance of this subject. Because corporations establish a dependent relationship with the society where they belong to, their image toward their stakeholders can be seen as an imperative matter. There is a growing public interest on this subject, since the recognition that the lack of ethics often deteriorates performance and capabilities in many organizations (Cleek & Leonard, 1998). Cleek & Leonard (1998) have developed a research on this issue. Based on a survey instrument applied to graduate and undergraduate students they concluded that “codes of ethics are not powerful enough tools to affect ethical decision-making behaviour” (Cleek & Leonard, 1998, p. 627). The authors also explain that the underlying reason might be on the fact that the creation of CE is not enough. CE is just a way of communicating an ethical culture to corporate employees. The accent should be put on “how the codes are communicated, enforced and used as a basis for strengthening the culture of the organization” (Cleek & Leonard, 1998, p. 627).

Recent years have been abundant in corporate scandals of reputable firms. A big part of them aroused as a consequence of deficient ethical conduct. The drop in their popularity and the consequent fall in corporate value reveal the importance of the image that organizations convey to the public opinion. Business ethics is one of the aspects to take into account. The existence of an ethical behaviour from an organization can influence its image, and so, influence its performance.

The incidents involving the Watergate case in 1977 were the genesis of the great growth and popularity of codes of business ethics (Stevens, 1994). Stevens (1994, p. 64) defined codes of business ethics as "messages through which corporations hope to shape employees behaviour and affect change through explicit statements of desired behaviour." This author considers that codes of ethics exist because it is assumed that companies should be responsible for employee’s behaviour.

Business codes are a widely used instrument. However, the surveys on the efficiency of such instrument show contradictory results (Kaptein & Schwartz, 2007). The efficiency degree of any code of ethics has to be measured accordingly to the expectations of stakeholders and taking into account the possible existence of external codes of ethics (Kaptein & Schwartz, 2007). Those authors have explored the reasons why we have conflicting results concerning the effectiveness of business codes. They have showed that those reasons might be in the
varying definitions of key terms, the deficiencies in the empirical data and methodologies used, as well as a lack of theory. They also suggest that it is the time to more intensively analyze the effectiveness of business codes, as long as “for companies that have a business code, it is relevant to know whether this code is effective” (Kaptein & Schwartz, 2007, p. 122).

Peterson (2002) has studied the relationship between unethical behaviour and the nine dimensions of the ethical climate questionnaire. The ethical climate refers to the shared perception of what is ethically correct behaviour. The nine-dimensional model comprises three ethical standard categories (egoism, benevolence and principle) and three sources of moral reasoning (individual, local and cosmopolitan). The ethical standards can be identified as the maximization of self interest (egoism), maximizing the interest of many people (benevolent) and the adherent to a universal standard of belief (principle). “The source could be employee’s self-determined ethical beliefs (individual), the organization’s standard and policies (local) or external to the individual and the organization (cosmopolitan). The cross-classification of the three ethical standards with the three referents produces nine theoretical dimensions of the ethical work climate” (Peterson, 2002, 314). The method used by the author was the development of a survey including several questions of each of the nine theoretical dimensions. The survey also included questions that intend to identify if the corporation already has a code of ethics. The sample comprised 202 individuals randomly selected that graduated with an undergraduate degree from the college of business between the years of 1983 and 1995. The results demonstrate that most of the ethical climate dimensions were significantly to the unethical behaviour. It was also identified that the relation between unethical behaviour and ethical climate is stronger in firms that do not have a code of ethics. In addition, Peterson (2002) proved that there are differences between corporations that have a code of ethics and those that do not have that instrument.

Schwartz (2002) wondered on the ethics behind the codes of business ethics, while Webley & Werner (2008) concluded that the inefficiency of some codes of ethics might be, apparently, related to two factors: inefficient ethical programs and deficiencies in organizational culture.

Schwartz (2001) has developed a research in which he intended to relate the existence of codes of ethics and corporate behaviour. The study consisted in 57 interviews of employees, managers and ethics officer at four large Canadian corporations. The author has found that the existence of codes of ethics can, potentially, influence employees’ behaviour, “however, this appears to take place on very rare occasions” (Schwartz, 2001, p.253). The underlying reason that might explain those results can be (a) employees believe that they already know what is right and wrong, (b) the code is merely common sense and (c) respondents believe they had never faced an ethical dilemma. Schwartz (2001) concludes that the reasons for code non-compliance are self interest, dissatisfaction, environment, company’s interest and ignorance. On the contrary, the reasons for code compliance are personal values, fear of discipline and loyalty to company.

Waddock & Graves (1997) have proved the existence of a relationship between financial performance and social performance of corporations. They demonstrated the existence of a positive relationship in both directions.

Guillén et al. (2002) have analyzed business ethics in Spanish firms. The authors defend the existence of different paradigms between American and European firms. They consider that the American paradigm has a normative orientation and a strong practical focus in personnel micro level. The European paradigm is more focus with social sciences, defending that ethical issues only arise at an organizational and social level. Based on that assumption the authors have investigated if there are national characteristics that differentiate Spanish corporation in ethical terms. Based on a survey they have found that certain industries have a majority of
companies with a CE. They have also showed the existence of a correlation between company size (measured by the number of employees and the total annual sales) and the creation of a CE. The difference between American and Spanish/European firms is evident on several dimensions. Arguments for ethics show statistically significant differences for American companies with a more normative, legalistic and practical approach than European ones” (Guillén et al., 2002, p. 177)

From an ethical point of view the key issue of corporate governance involves questions about relationships and building trust both inside and outside the organization (Arjoon, 2005). This author has developed a study of corporate governance from a compliance viewpoint. He had made the distinction between legal and ethical compliance mechanism. The legal approach regards ethics as a set of limits, which aim consists in preventing unlawful conduct. Te legal compliance approach method emphasizes rules and it uses increasing monitoring and penalties to enforce those rules. The ethical approach defines ethics as a set of principles and it objective consists in achieving a responsible conduct. This approach treats ethics as infused in business practice. Arjoon (2005, p. 349) defends that “effective corporate governance can be achieved by adopting a set of principles and best practices”. It is known that firms should be profitable in order to survive. Even though the search for profits must remain within ethical limits (Arjoon, 2005). The author considers that ethical compliance mechanism help develop and build corporate reputation and so contribute to corporate stability and growth since they instil confidence both inside and outside of the organization.

Singh et al. (2005) have analyzed the content of 197 corporate codes of ethics from three different countries, namely Australia, Canada and Sweden. Their results reveal that the content of Australian and Canadian codes of ethics are similar, reflecting their similarities in histories and cultures. The Swedish codes were found to be very different from the others, reflecting the differences between Sweden and the other countries. The authors suggest that the underlying reason below the identified differences might “reflect the different uncertainty avoidance values in these countries” (Singh et al., 2005, p. 106).

Bhimani (2008) argued that when we talk about corporate governance we tend to speak of standards of ethical conduct. This author explored the link between ethics and modern economic rationality and reflected on the scientifisation of economics and ethics in academic discourse by analyzing the UK combined corporate governance code of 2006. Moreover, several researches attempt to relate the characteristics of the boards of directors, managers or business environment and corporate ethical conduct (Dominguez et al., 2009; Ibrahim & Angelidis, 1995; Peterson, 2002; Rose, 2007).

Cultural differences also seem to affect corporate behaviour toward ethical questions (Enderle, 1996). This researcher has compared business ethics in North America and continental European countries. On his research he have found important differences between those approaches and pointed out what ones can learn from the others. The adopted basis of comparison for business ethics includes three modes of understanding business ethics and three qualitative different levels of acting. The modes of understanding business ethics can be divided into semantics (speaking about business ethics), practice (acting ethically in business) and theory (thinking about business ethics). On the other hand we have three qualitative different levels of business ethics: the micro level (related to the individual action), the meso-level (related to the organizational behaviour) and the macro-level (related to the economic system and the shaping of the overall economic relations). According to Enderle (1996) ones can find several differences among business ethics in North America and continental European countries. “Europeans are predominantly concerned with systematic macro-issues while North Americans mainly deal with personal micro-issues, which are usually more readily accessible to direct ethical discourse” (Enderle, 1996, p. 37). North American business
ethics deal mainly with issues at an individual micro level whereas the main emphasis of continental European firms is on the systemic macro level. Enderle (1996) concluded that “each side places a different and unbalanced emphasis on each of the three levels of human action and is far from addressing the international challenges to business ethics with sufficient determination, explicitness and thoroughness” (Enderle, 1996, p. 44).

The study of this thematic becomes more complex due to the fact that there are different types and structures of codes of ethics (Schwartz, 2002). Schwartz (2002) considers that not all corporate CE are truly ethical. Hence the author set universal moral standards that should be included in all the codes of ethics. The author considers that the code content should be based of six universal moral standards (1) trustworthiness, (2) respect, (3) responsibility, (4) fairness, (5) caring and (6) citizenship. It should be also understandable to the widest possible audience. The code creation should involve all employees, by giving them the opportunity to improve it (Schwartz, 2002). The author defend that CE should also be widely distributed and made fully accessible to the public and its implementation period should embrace employees training and support. Finally, the code administration should entail code enforcement in a consistent and fair manner and it must provide sufficient protection to employees that report violations to the code (Schwartz, 2002). “The newly proposed code of ethics for corporate code of ethics was then applied to four large Canadian companies representing a variety of industries: telecommunications; banking, manufacturing, and high technology. The ethical audit of the four companies’ ethics program based on the proposed code indicates that all four companies have room to improve the ethical nature of their codes of ethics” (Schwartz, 2002, p. 27).

Hence, it is difficult to define standards and establish correspondences. In fact, the subject of business ethics seems to be strongly related, upstream to cultural and social context where corporations operate and downstream with the performance of corporations.

2.4 Corporate Social Responsibility

The European Commission defines corporate social responsibility as “companies acting voluntarily and beyond the law to achieve social and environmental objectives during the course of their daily business activities”1.

The subject of Corporate Social Responsibility has become widely discussed in business circles. The origin of this concept is linked to the debate about the relationship established between corporations and society, which emerged in the subsequent of the phenomenon of globalization. Companies do not operate isolated from society and, as such, their performance will be related to factors such as the social and ethical responsibility and how those items are related to the objectives of the corporation.

Jamali et al. (2008) argued that the curiosity attributed to CSR thematic started with the phenomenon of globalization and the consequent increase in international trade. This scenario carried an increased business complexity and demanded for transparency and humanization of companies.

The definition of CSR defended by Sacconi (2006) presents CSR as a management model where managers have responsibilities that range from meeting their responsibilities to shareholders until the fulfilment of responsibilities to other stakeholders of the company.

The classic economic theory does not embrace CSR thematic. Although the existence of some social objectives, for classical economists the profit was the prima facie indicator for

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1 http://ec.europa.eu/social/main.jsp?catId=331&langId=en
enhancing social welfare and, therefore, firms should maximize it. Friedman (1962) believes that the philosophy advocated by CSR is not defensible since the sole responsibility of business is to increase profit.

This same perspective is given by Jamali et al. (2009, p. 173) who argued that “the classical model has a narrow focus and little tolerance for a social role of business, reasoning that CSR inevitably reflects in additional costs and reduced competitiveness”. The supporters of this model believe that corporate responsibility lies solely in providing goods and services to consumers. The modern paradigm, in turn, considers that corporations operate within a wider society and, therefore, they have responsibilities to a wide range of stakeholders. Jamali et al. (2009) research was based on the O’Brien (2000) proposition of two dimensional model of CSR, which comprises two axes. The horizontal axis intends to capture variations in views of CSR, “from the narrow view or the classical lens (i.e., business responsible for providing goods and services and profit maximization within the rules of the game) to the broader view where business considers itself responsible for a wider array of issues, expectations, and stakeholders” (Jamali et al., 2009, p. 175). The vertical axis represents two extremes in the perception of the consequence of the adoption of CSR politics (a cost or a benefit). Their research was developed in three Middle East countries, namely Lebanon, Syria and Jordan and the data was collected through a structured questionnaire, with 32 statements. The questionnaire was responded by 185 Lebanese managers, 76 Syrian managers and 72 Jordan managers. Their results suggest the existence of three main clusters in Lebanon firms (19% represent the classical view, 61% the modern view and 20% the philanthropic view), four clusters in Syria (15% represent the classical view, 36% the modern view, 29% the philanthropic view and 20% the socio-economic view), and three main clusters in Jordan (27% representing the classical view, 20% the modern view and 20% the economic view). The classical view considers that the adoption of CSR relies on a cost for corporation and there is a narrow sense for CSR. The modern view firms consider that corporation have a wide responsibility on society and consider that the adoption of CSR politics might origin a benefit. The socioeconomic view firms have a narrow sense for CSR but believe in a benefit for corporations that adopt it. Finally, the philanthropic view considers that the adoption of CSR is a responsibility of firms but is costly. They concluded that modern and classical clusters were the most evident, with the modern view being the most representative one.

The results of some studies suggest that the buying intentions of customers are influenced by CSR initiatives - if consumers are aware of them (Pomering & Dolnicar, 2009). In turn, Lopes (2004), considers that emphasizing social responsibility does not mean neglecting the interests of the company but put them in a broader context, re-evaluating them. Pomering & Dolnicar (2009) have developed a study which objective consisted in assessing to which extent CSR initiatives were aware from consumers. First, the authors have conducted several personal interviews with the four biggest Australian banks executive’s with responsibility for CSR politics. Those interviews permitted the identification of the CSR knowledge consumers could theoretically obtain from the banks communications. Secondly, the authors have developed a consumer’s survey that intent to analyze if consumers take into account bank’s CSR. The authors concluded that “the Australian banking sector views CSR initiatives as a promising strategy to rebuild relationship with key stakeholder groups, particularly employees and consumers, damaged over the past decade or so as a result of employee and service reduction, and price increase, through fees and charges” (Pomering & Dolnicar, 2009, p. 296). Pomering & Dolnicar (2009) have also shown that consumers are not aware of banks’ CSR initiatives and their interest in receiving CSR communication is not satisfied. The authors have also identified differences in respondents’ interests which can be a basis for the improvement of Australian bank’s CSR.
To Zadek (2001) there are three levels of implementation of CSR, according to the tools and processes used. The first level is the fulfilment of law requisites. At the second level, when a company begins its approach to CSR it aims to avoid short-term risks related to its reputation. At this point CSR is seen as a long-term sustainability process which may involve the definition of new strategies and new models of corporate governance. At the third level CSR becomes a basic resource, an opportunity which can be based on various business practices. In this phase, through concerted action among companies, governments and civil society, it can be reached social gains and simultaneously created wealth through strategies of regional and national competitiveness.

According to Weyzig (2009) there are three major perspectives on the CSR topic: the perspective of the stakeholder, the perspective of broad objectives and the neo-liberal perspective. The first one states that CSR can only be understood as the company's responsible attitude on its regular business. So, corporations have certain responsibilities toward their stakeholders and CSR is defined in negative terms, identifying what the organization should not do. The second perspective shows that the CSR concept requires a proactive approach in the corporation in order to promote sustainable development and reduce poverty. It can be reached through initiatives in areas where the company can make valuable contributions. Finally, the neo-liberal perspective claims that the company will create greater social welfare through the pursuit of its own objectives of private profit, than by assuming other responsibilities. This subject has been extensively discussed by several authors. Using Nikes’s example, Zadek (2004) explains the five stages of organizational growth in corporate responsibility issues. This author defends that when it comes to developing a sense of CSR, organizations typically go through five stages as they move along the learning curve. At stage one organizations deny practices and responsibilities to defend firms from attack’s to their reputation. At stage two organizations adopt a policy-based compliance approach as a cost of doing business to mitigate the erosion of economic value at the medium term because of the ongoing reputation and the litigation risk. At stage three firms are embedded of societal issues in their core management process and the adoption of CSR intents to achieve longer-term gains practices into their dairy operations. At stage four firms integrate the societal issue into their core business strategies to enhance economic value in the long term and to gain first mover advantage by aligning strategy and process innovations with the societal issue. Finally, at stage five corporations promote broad industry participation in corporate to enhance long-term economic value by overcoming any first mover disadvantages and to realize gains through collective action.

Zahra & LaTour (1987) have found that specific CSR practices affect the organizational effectiveness outcomes. They have developed a questionnaire which was used as a primary instrument of data collection. This questionnaire intended to identify respondent’s perception of CSR dimension and 14 items concerning organization effectiveness. Data was collected from 410 undergraduate and graduate business students. The large majority of those students already had a job experience. The results permit the identification of eight CSR dimensions, reflecting the multidimensional construct of CSR. Their conclusions “indicate that certain aspects of CSR are related to specific facts of organizational effectiveness. Hence, attempts to generalize results between, say, an overall CSR scale measures of organizational effectiveness can be misleading” (Zahra & LaTour, 1987, p. 466).

Prior et al. (2008) have developed a research in which they intent to analyze the relationship established between CSR and earnings managers (“managers exercising their discretion over the accounting numbers” (Prior et al., 2008, p. 160)). The authors explored “the thesis that managers manipulate earnings in order to obtain private benefits, and through these practices they damage the interests of stakeholders” (Prior et al., 2008, p. 171). For such they have analyzed a sample composed of 593 industrial firms included in the 2002-2004 Sustainable
Investment Research International Company (SiRi) database. The earning management was computed by dividing current accruals3 into their discretionary and non-discretionary components. Their results suggest the existence of a positive relationship between earnings management practices and the development of CSR. The reason undertaken states that managers anticipate stakeholder’s interests in order to avoid their activism as a result of earnings manipulation. They have proved that there is a positive impact of earnings management practices on CSR. They have also demonstrated that the combination of earnings management and CSR have a negative impact on financial performance.

Zahra et al. (1993) have analyzed three variables affecting corporate financial performance and social responsibility: inside ownership, outside directors and institutional ownership. Their research was based on a survey applied to the CEOs of the 500 largest publicly held United States manufacturing firms. 156 complete responses were obtained. “The results showed that a higher inside ownership was linked with both better financial performance and more attention to several dimensions of social responsibility.” (Zahra et al., 1993, p. 339). The authors have also showed that outside director’s improved financial performance and external dimension of social responsibility and institutional ownership damage both financial performance and social responsibility. Finally, they have found that being socially responsible, particularly in environment issues supported good financial performances. Zadek (1998) states that practical mechanisms for aligning performance, ethics and accountability are urgently needed.

Accordingly to the Guide of CSR in Europe (Europe, 2009), the interaction between business and society is ruled by a great economic, political and cultural diversity in the old continent. The initiative of corporate contribution for social welfare improvement (beyond the legal obligations which are imposed) has a great tradition in Europe, particularly in the Anglo-Saxon countries.

Sotorrio & Sanchez (2008) have developed a study in which they have analyzed the main differences between European and North American CSR and tried to compare the underlying reasons that explain the CSR behaviour. The analyzed sample includes the most highly reputed European and North American firms (according to the 2003 and 2004 rankings made by Financial Times and Interbrand publications) that have CSR report on corporate website. The final sample includes 34 companies from North American countries and 46 from European countries. The adopted measure of CSR considers 5 different indices of social responsibility “an aggregate effort index in sustainability composed of 46 different components (objectives, policies, actions and results) which is divided into four indices that measure the effort in economic responsibility toward costumers, the effort in social responsibility toward employees and community and the effort in environmental responsibility towards the environment” (Sotorrio & Sanchez, 2008, p. 382). The obtained results suggest that on average European firms have a higher level of CSR. The authors verified that “there are difference among the CSR components used by the European and the North American firms in being socially responsible” (Sotorrio & Sanchez, 2008, p. 386) and the motives that explain social responsible behaviour in Europe differ from those that explain North American social responsibility.

Bonn & Fisher (2005) have analyzed how corporations can address concerns about CSR and business ethics in their corporate governance structure. The authors consider that “society

---

2 “The SiRi scrutinizes firms with respect to their practices toward employees, communities, suppliers, costumers, environmental and corporate governance” (Prior et al., 2008, p. 171)

3 The author have found current accrual by subtracting from the change in current assets the change in cash, the change in current liabilities, the change in debt included in current liabilities and the depreciation and amortization.
expects businesses to make a profit and obey the law and in addition to behave in certain ways and conform to the ethical norms of society” (Bonn & Fisher, 2005, p. 731). They have found three weaknesses in incorporating business ethics into corporate governance, namely bureaucratic and formalized approach, lack of implementation and lack of integration throughout the organization. To avoid the bureaucracy problem, the authors suggest that the development of business code of ethics should involve different levels of the organization (board, senior managers, middle managers and other employees), so that it could be understood and owned by everyone in the corporation. To overcome the potential problem of the lack of implementation, the authors suggest that “ethic committees should ensure that top managers and line personnel address ethical issues on a regular basis and that the prime responsibility for developing policies, procedures and codes of ethical conduct is given to line managers who are responsible for implementation” (Bonn & Fisher, 2005, p. 735). Finally, to avoid the lack of integration problem it should be established “training programs for employees and the provision of communication channels for receiving feedback on initial and ongoing problems and difficulties” (Bonn & Fisher, 2005, p. 736). The authors conclude that high standards of ethical behaviour can be achieved by an incorporated approach toward CG and business ethics. This behaviour may enhance corporate governance and organizational reputation and competitiveness.

3. Research Hypotheses

The present investigation pursues the methodology adopted by Dominguez et al. (2009). The empirical research developed by Dominguez et al. (2009) permitted the identification of corporate governance characteristics who seems to influence the divulgation of CE. The sample was composed by 351 non financial and non insurance quoted firms from Spain, Italy and United Kingdom, 117 from each country. Further, based on Prior et al. (2008), Zadek (1998), Zahra & LaTour (1987) and Zahra et al. (1993) we included CSR as a variable of interest.

3.1 Board Ownership

Dominguez et al. (2009) proved that, in continental European countries, there seems to be a negative relationship between board ownership and the divulgation of CE. It means that a greater percentage of board ownership, leads to a lower probability of dissemination of CE on corporation’s web site. For Anglo-Saxon countries there seems to be no relevant relationship between CE and Board Ownership (Dominguez et al., 2009). On the other hand, according to Zahra et al. (1993, p. 336) “ownership by corporate insiders was positively associated with corporate social responsibility (CSR) and company financial performance (CFP)”. The research developed by Tsoutsoura (2004) and Waddock & Graves (1997) revealed that increases in stock owned by Board members should make them more sensitive to ethical issues due to the positive impact of social responsibility activities on the firm’s financial performance. Accordingly to the previous researches and the divergence on their results, the first hypothesis was defined as:

Hypothesis 1: Board Ownership positively influences the dissemination of both CE and CSR, where, the Board ownership variable represents the proportion of shares held by the board of directors.
3.2 Outside Directors

Dominguez et al. (2009) have showed that for continental European countries there seem to be a positive relationship between the percentage of outside directors and the dissemination of business CE. O’Neil et al. (1989) revealed that outside directors have a great orientation for CSR thematic. The same conclusion was addressed by Ibrahim & Angelidis (1995). Webb (2004) has demonstrated that the percentage of outside directors’ assume a positive relationship with CSR questions. Contrary to those studies, Wang & Coffey (1992) showed that a bigger weight of inside directors positively influence corporate social contributions. Despite the results of some papers supporting the theoretical prediction, the overall evidence concerning the influence of the outside directors on corporation’s performance is still inconclusive (Kesner et al., 1986). This variable intent to test the following hypothesis:

**Hypothesis 2:** Outside Directors positively influence the dissemination of both CE and CSR where outside directors variable correspond to the fraction of outside directors on the Board of Directors at December 31, 2008.

\[
X_{Outside\ Directo} = \frac{\text{Number of Outside Directors}}{\text{Number of Directors}}
\]

3.3 Woman’s in the board of directors

Dominguez et al. (2009) revealed that there were no connection between the percentage of woman in the Board team and the divulgation of CE. Rose (2007) proved that there was no relevant association between the proportion of woman in the Board and the firm’s performance. On the contrary, Bernardi et al. (2006) revealed that the proportion of woman in the board, positively influence corporate behavior. Moreover, several studies identify that woman are more sensitive to corporate social responsibility issues (Kedia & Kuntz, 1981; Wang & Coffey, 1992; Webb, 2004; Williams, 2003). So, it was tested the following hypothesis:

**Hypothesis 3:** Woman’s in the board positively influence the dissemination of both CE and CSR, where, woman directors are represented by the proportion of woman on the Board of Directors at December 31, 2008.

\[
X_{Woman} = \frac{\text{Number of Woman on Board of Directors}}{\text{Number of Directors}}
\]

3.4 Dimension

Besides corporate governance characteristics above described there are other aspect to take into account when analyzing CE and CSR thematic. Webley & Werner (2008) stated that CE assumes a relevant importance for big corporations. Because big corporations involve a larger number of human resources, there must be a better mechanism of control (Guillén et al., 2002). To captures the influence of corporate dimension on the dissemination of CE and CSR it were included three new independent variables: number of employees, total revenue and total asset. The selection of variables assigned to the “dimension” characteristic was based on
the Small and Medium Size Enterprises (SME) definition. So, it was included the following hypothesis:

**Hypothesis 4:** Corporate dimension positively influence the dissemination of both CE and CSR where corporate dimension was measured by three independent variables: number of employees, total revenue and total asset. In order to eliminate the scale effect we have chosen to use the natural logarithm of these variables.

3.5 Financial Structure

Beneish (1993) showed that the rational manager’s choice of code of conduct contents decrease with leverage. Hence, we tested the following hypothesis:

**Hypothesis 5:** Corporate financial structure negatively influences the dissemination of both CE and CSR, where corporate financial structure represents the percentage of asset financed by noncurrent liabilities of organization, measured by the value of noncurrent liabilities to total assets.

3.6 Continental European and Anglo-Saxon differences

Enderle (1996) revealed that there were differences among business ethics of North American and European countries. La Porta (1999) identified that the quality of corporate governance were affected by the countries characteristics. The studies developed by Domínguez et al. (2009), Guíllén et al. (2002), Singh et al. (2005), Sotorrio & Sanchez (2008) and Wanderley, et al. (2008) there are differences among different countries. Hence, the final hypothesis seeks to determine if there are differences in the dissemination of CE and CSR among continental European and Anglo-Saxon firms:

**Hypothesis 6:** The dissemination of both CE and CSR differ between continental Europe firms and Anglo-Saxon ones. The proxy variable is a dummy that takes the value of 1 if the firm belongs to a continental European country and 0 otherwise.

4. Research Design

After describing the main hypotheses, this section analyses the sample and the methodology used to check them.

4.1 Sample Composition

The population under analysis comprises all the listed companies from Portugal, Spain and United Kingdom which allowed the comparison between the results for continental European countries (Portugal and Spain) and United Kingdom. Like in the research developed by Domínguez et al. (2009) financial firms were excluded from the analysis. To ensure the representativeness of the population we have only included corporations classified at the general indices of each country (PSI General for Portugal, FSTE All Share for United Kingdom and IBEX 35, Small and Medium Cap for Spain) at December 31, 2008.

Further, when collecting data, we found that there was a great variability in the dates of submission of annual accounts. Given that the existing financial crisis scenario may have
affected the performance of businesses as well as the exchange rates applied to the data of British firms, it was considered important to ensure the existence of the same period of fiscal activity. As such, we have only considered corporations with the presentation of annual accounts at December 31, 2008.

Thus, the final sample comprises 39 companies listed on the Stock Exchange of Lisbon, 68 corporations listed on the Stock Exchange of Madrid and 156 firms listed on the Stock Exchange of London, totaling 263 companies.

When analyzing the final sample it was identified the existence of outliers, both middle and extreme outliers. Initially we withdrew all the extreme outliers. However, we noticed that when removing the extreme outliers, we would get a tremendous reduction on our sample (from 263 to 142 corporations). In this scenario we would also get an irrelevant variable (woman) as long as the final sample would be composed of 137 zero cases and only 5 none zero cases. This is one of the variables that characterizes CG scenario, which results we intent to compare with published papers. So, we have decided to maintain the sample of 263 corporations, including the outliers.

All the required data were collected from corporations annual Reports & Accounts and their websites.

4.2 Variables

4.2.1 Dependent Variable

The purpose of the present study consist in analyzing corporate governance, dimension and financial structure characteristics that seem to influence the dissemination of corporate CE and/or CSR, on corporations web site. We also want to verify if the corporation’s country of origin influence that divulgation. The dependent variable is a dummy that can be described as follows:

\[
Y_i = \begin{cases} 
1, & \text{if the firm i does not publicize CE neither CSR} \\
2, & \text{if the firm i publicize CE but not CSR} \\
3, & \text{if the firm i publicize CSR but not CE} \\
4, & \text{if the firm i has both CE and CSR publicized} 
\end{cases}
\] (1)

In this case the dependent variable takes (M=4) possible categories.

4.2.2 Independent variables

The independent variables can be categorized according to the characteristics they seek to capture. On one hand, we have the features of corporate governance (board ownership, outside directors and woman participation). On the other hand, we have the factor of size (measured by firm revenues, assets and employees). It was also included a financial structure feature and a cultural characteristic variable.

The values of the independent variables were collected from the corporation’s annual Reports and Accounts and their web site.

4.3. Explanatory Model
Given the qualitative unordered characteristic of the dependent variable in analyses, it was used the logit model (logistic regression). This model is commonly used when estimating models in which the dependent variable is not continuous, but discrete. The use of the logit model will also allow the comparison with the results obtained by Dominguez et al. (2009) when estimating the relationship between corporate governance characteristics and the divulgence of codes of ethics.

Because the qualitative dependent variable has 4 possible results (\(Y = 1, 2, 3\) or 4) it was used the multinomial logit model. The first category, meaning that the firm has no CE neither CSR disseminated in the Internet (when \(Y_i = 1\)), was set as the reference category, which means that there were calculated 3 equations. The three computed equations allow the comparison with the reference category. So, if we consider the first category as the reference, than the categories \(Y_i = 2, 3\) and 4 can be written as:

\[
\ln \frac{P(Y_i = m)}{P(Y_i = 1)} = \alpha_m + \sum_{k=1}^{K} \beta_{km} X_{ik} = Z_{m_i} \tag{2}
\]

where: \(\beta_{km}\) are the unknown parameters of the model and \(X_{ik}\) is a vector of characteristics for the firm \(i\). The signal of the \(\beta_{km}\) parameters translates the sign of the impact of the \(K^{th}\) regressor on \(Y_i\) probability. However the value of these parameters will not measure this effect directly in the logarithm of the odds ratio per unit in \(K^{th}\) regressor. We can now write the structural of the equations:

\[
\ln \left( \frac{P_2}{P_1} \right) = \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \beta_6 X_{6i} + \beta_7 X_{7i} + \beta_8 X_{8i} + \epsilon_i \tag{3}
\]

\[
\ln \left( \frac{P_3}{P_1} \right) = \beta_9 + \beta_{10} X_{1i} + \beta_{11} X_{2i} + \beta_{12} X_{3i} + \beta_{13} X_{4i} + \beta_{14} X_{5i} + \beta_{15} X_{6i} + \beta_{16} X_{7i} + \beta_{17} X_{8i} + \epsilon_i \tag{4}
\]

\[
\ln \left( \frac{P_4}{P_1} \right) = \beta_{18} + \beta_{19} X_{1i} + \beta_{20} X_{2i} + \beta_{21} X_{3i} + \beta_{22} X_{4i} + \beta_{23} X_{5i} + \beta_{24} X_{6i} + \beta_{25} X_{7i} + \beta_{26} X_{8i} + \epsilon_i \tag{5}
\]

where: \(X_1\) is the fraction of capital held by the Board of Directors; \(X_2\) is the proportion of outside directors on the Board of Directors; \(X_3\) is the ratio of woman on the Board of Directors; \(X_4\) is the logarithm of employees; \(X_5\) is the logarithm of revenue; \(X_6\) is the logarithm of assets; \(X_7\) is the fraction of asset financed by noncurrent liabilities and \(X_8\) is a dummy variable corresponding to (1) if firm belong to a continental European country or (0) otherwise.

Hence, for each case, there will be 3 predicted log odds, one for each category related to the reference category. In this scenario, since we have 4 categories of cases, computing the probability of each case is more difficult than in the simple logistic regression. So, for \(m = 2, 3\) and 4, we have:

\[
P(Y_i = m) = \frac{\exp(Z_{m_i})}{1 + \sum_{h=2}^{M} \exp(Z_{h_i})} \tag{6}
\]

For the reference category (\(Y=1\)) the probability is:

\[
P(Y_i = 1) = \frac{1}{1 + \sum_{h=2}^{M} \exp(Z_{h_i})} \tag{7}
\]
The statistical analysis has been done through SPSS and Gretl software’s.

5. Empirical Results
The analyzed population comprised all the listed companies from Portugal, Spain and United Kingdom and allowed the comparison between the results for continental European countries (Portugal and Spain) and United Kingdom. Like in the research developed by Dominguez et al. (2009) financial and insurance firms were excluded from the analysis.

To ensure the representativeness of the population we have only included corporations classified at the general indices of each country (PSI General for Portugal, FSTE All Share for United Kingdom and IBEX 35, Small and Medium Cap for Spain) at December 31, 2008.

Further, when collecting data, we found that there was a great variability in the dates of submission of annual accounts. Given that the existing financial crisis scenario may have affected the performance of businesses as well as the exchange rates applied to the data of British firms, it was considered important to ensure the existence of the same period of fiscal activity. As such, we have only considered corporations with the presentation of annual accounts at December 31, 2008.

Thus, the final sample comprises 39 companies listed on the Stock Exchange of Lisbon, 68 corporations listed on the Stock Exchange of Madrid and 156 firms listed on the Stock Exchange of London, totalizing 263 companies. Table I illustrates how the sample size was reduced by successively data requirements.

TABLE I - Sample Selection Statistics and Composition

<table>
<thead>
<tr>
<th>Panel A – Sample Selection</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection Criterion</td>
<td></td>
</tr>
<tr>
<td>Non Financial and non insurance firms</td>
<td>1258</td>
</tr>
<tr>
<td>Firms listed on general index at 31/12/2008</td>
<td>526</td>
</tr>
<tr>
<td>Firms with annual Report and Accounts at 31/12/2008</td>
<td>263</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel B – Country Composition</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>Observation</td>
</tr>
<tr>
<td>Portugal</td>
<td>39</td>
</tr>
<tr>
<td>Spain</td>
<td>68</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>156</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel C – Region Composition</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>Observation</td>
</tr>
<tr>
<td>Continental Europe</td>
<td>107</td>
</tr>
<tr>
<td>Anglo-Saxon</td>
<td>156</td>
</tr>
</tbody>
</table>

Note: This table reports the effects of various sample selection criteria (Panel A), the country composition of the final sample (Panel B) and the region composition of the final sample (Panel C). The initial sample included all the non financial and non insurance firms listed on stock market of Lisbon, Madrid and United Kingdom. From this list we have only included corporations included in countries general indices. The final criteria required that corporations Reports and Accounts were presented at December 31, 2008.

Before reporting the data calculated using the multivariate analysis, Table II summarizes the bivariate correlations between the variables used in the estimated model. This table exhibits the correlation between the independents variable using the Pearson’s coefficient (below the diagonal) and the Spearman’s coefficient (above the diagonal). When analyzing the correlation matrix we found 15 estimated coefficients (considering Spearman’s correlation coefficient) with significant correlations, all of them to a level of significance of 5%. The
generality of the correlations have a low intensity (below 0.5). There are only two values above 0.5. The correlations between these variables could be explained by the fact that they seek to represent the same attribute (company size). There is no correlation with a value exceeding 0.8. The low correlation coefficients allow us to disregard the effect of multicollinearity between the residues.

TABLE II - Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>X_1</th>
<th>X_2</th>
<th>X_3</th>
<th>X_4</th>
<th>X_5</th>
<th>X_6</th>
<th>X_7</th>
<th>X_8</th>
</tr>
</thead>
<tbody>
<tr>
<td>X_1</td>
<td>1</td>
<td>0.000</td>
<td>-0.025</td>
<td>-0.230***</td>
<td>-0.347***</td>
<td>-0.360***</td>
<td>-0.108</td>
<td>-0.022</td>
</tr>
<tr>
<td>(0.995)</td>
<td></td>
<td>(0.682)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.001)</td>
<td>(0.722)</td>
<td></td>
</tr>
<tr>
<td>X_2</td>
<td>0.072</td>
<td>1</td>
<td>0.073</td>
<td>-0.108</td>
<td>-0.057</td>
<td>0.189***</td>
<td>0.009</td>
<td>0.284***</td>
</tr>
<tr>
<td>(0.244)</td>
<td></td>
<td>(0.239)</td>
<td>(0.081)</td>
<td>(0.356)</td>
<td>(0.002)</td>
<td>(0.887)</td>
<td>(0.000)</td>
<td></td>
</tr>
<tr>
<td>X_3</td>
<td>0.072</td>
<td>0.048</td>
<td>1</td>
<td>0.037</td>
<td>0.089</td>
<td>0.188***</td>
<td>0.133**</td>
<td>0.042</td>
</tr>
<tr>
<td>(0.242)</td>
<td></td>
<td>(0.438)</td>
<td>(0.551)</td>
<td>(0.148)</td>
<td>(0.002)</td>
<td>(0.031)</td>
<td>(0.500)</td>
<td></td>
</tr>
<tr>
<td>X_4</td>
<td>-0.131**</td>
<td>-0.086</td>
<td>0.027</td>
<td>1</td>
<td>0.743***</td>
<td>0.473***</td>
<td>0.175***</td>
<td>-0.336***</td>
</tr>
<tr>
<td>(0.033)</td>
<td></td>
<td>(0.164)</td>
<td>(0.667)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.004)</td>
<td>(0.000)</td>
<td></td>
</tr>
<tr>
<td>X_5</td>
<td>-0.222***</td>
<td>-0.094</td>
<td>0.037</td>
<td>0.701***</td>
<td>1</td>
<td>0.727***</td>
<td>0.203***</td>
<td>-0.318***</td>
</tr>
<tr>
<td>(0.000)</td>
<td></td>
<td>(0.130)</td>
<td>(0.554)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.001)</td>
<td>(0.000)</td>
<td></td>
</tr>
<tr>
<td>X_6</td>
<td>-0.180***</td>
<td>0.172***</td>
<td>0.136**</td>
<td>0.427***</td>
<td>0.658***</td>
<td>1</td>
<td>0.338***</td>
<td>-0.006</td>
</tr>
<tr>
<td>(0.003)</td>
<td></td>
<td>(0.005)</td>
<td>(0.028)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.917)</td>
<td></td>
</tr>
<tr>
<td>X_7</td>
<td>-0.004</td>
<td>0.069</td>
<td>0.053</td>
<td>0.096</td>
<td>0.106</td>
<td>0.126**</td>
<td>1</td>
<td>0.041</td>
</tr>
<tr>
<td>(0.953)</td>
<td></td>
<td>(0.266)</td>
<td>(0.388)</td>
<td>(0.121)</td>
<td>(0.086)</td>
<td>(0.042)</td>
<td>(0.510)</td>
<td></td>
</tr>
<tr>
<td>X_8</td>
<td>0.122**</td>
<td>0.179***</td>
<td>0.052</td>
<td>-0.309***</td>
<td>-0.330***</td>
<td>-0.018</td>
<td>0.088</td>
<td>1</td>
</tr>
<tr>
<td>(0.048)</td>
<td></td>
<td>(0.398)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.770)</td>
<td>(0.156)</td>
<td></td>
</tr>
</tbody>
</table>

Note: This table identifies the bivariate’s correlation between the independent variables. Above the diagonal we present Spearman’s coefficient and below the diagonal the Pearson’s coefficient. The p-values are shown in bold below the values of the correlations. The identified X_i correspond to: X_1 - Board Ownership; X_2 - Outside Directors; X_3 - Women; X_4 - Log (employees); X_5 - Log (revenue); X_6 - Log (assets); X_7 - Financial Structure and X_8 - Continental European. ***Correlation is significant at the 0.01 level (2-tailed); ** Correlation is significant at the 0.05 level (2-tailed).

The results of the multivariate statistic are presented on Table III. When analyzing the obtained results we can, firstly, point that the presented multinomial logistic regression is statistically significant. The p-value of the log likelihood ratio reflects the high representativeness of the model. We can also point that 49.4% of the cases were correctly predicted by our model.

TABLE III - Multinomial Logit Regression

Panel A: Multinomial Logit Model

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Category 2</th>
<th>Category 3</th>
<th>Category 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>P – Value</td>
<td>Coefficient</td>
</tr>
<tr>
<td>Constant</td>
<td>-2.66058</td>
<td>0.6458</td>
<td>-11.1565</td>
</tr>
<tr>
<td>X_1</td>
<td>-0.34416</td>
<td>0.8691</td>
<td>-0.8221</td>
</tr>
<tr>
<td>X_2</td>
<td>2.52240</td>
<td>0.1759</td>
<td>0.0787</td>
</tr>
<tr>
<td>X_3</td>
<td>2.35674</td>
<td>0.5111</td>
<td>1.2305</td>
</tr>
<tr>
<td>X_4</td>
<td>-0.02824</td>
<td>0.9201</td>
<td>-0.1341</td>
</tr>
<tr>
<td>X_5</td>
<td>0.22028</td>
<td>0.3924</td>
<td>0.0757</td>
</tr>
<tr>
<td>X_6</td>
<td>-0.22199</td>
<td>0.5689</td>
<td>0.5854</td>
</tr>
<tr>
<td>X_7</td>
<td>-4.39796</td>
<td>0.0333**</td>
<td>-1.5615</td>
</tr>
<tr>
<td>X_8</td>
<td>1.10132</td>
<td>0.1692</td>
<td>-1.4263</td>
</tr>
</tbody>
</table>

Normalized with respect to category 1
TABLE III - Multinomial Logit Regression (continued)

<table>
<thead>
<tr>
<th>Panel B: Summary Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean of the dependent variable</td>
</tr>
<tr>
<td>Log. Likelihood</td>
</tr>
<tr>
<td>Schwarz Criterion</td>
</tr>
<tr>
<td>Akaike Criterion</td>
</tr>
<tr>
<td>Hannan-Quinn Criterion</td>
</tr>
<tr>
<td>Chi-Square (Log. Likelihood Ratio)</td>
</tr>
<tr>
<td>Degrees of Freedom</td>
</tr>
<tr>
<td>P value</td>
</tr>
<tr>
<td>Number of cases correctly predicted</td>
</tr>
<tr>
<td>Percentage of cases correctly predicted</td>
</tr>
</tbody>
</table>

Note: Panel A presents the results of the statistical analysis, according to the categories (category 2 – the firm disseminates CE; category 3 – the firm disseminates CSR; category 4 – the firm disseminates both CE and CSR). All the results are normalized with respect to category 1 – firm does not disseminate CE neither CSR. The data is identified as coefficients (i.e. log of odds). The direct effect of each variable on \( Y \) is given by the Z value. The identified \( X_i \) correspond to: \( X_1 \) - Board Ownership; \( X_2 \) - Outside Directors; \( X_3 \) - Women; \( X_4 \) - Log (employees); \( X_5 \) - Log (revenue); \( X_6 \) - Log (assets); \( X_7 \) - Financial Structure and \( X_8 \) - Continental European.

***Correlation is significant at the 0.01 level (2-tailed); ** Correlation is significant at the 0.05 level (2-tailed).

Panel B present the summary of the statistics analysis.

Table III shows that the single disclosure of CE appears to be negatively influenced by the financial structure variable. This means that a higher value of that variable implies a minor propensity for the disclosure of CE. It is important to note that an increase in the financial structure means that there is a greater weight of medium to long term debt in the financial structure of the company.

The disclosure of CSR policies also seems to be associated with some characteristics of the organizations, namely the value of assets and the geographical location of the corporation. While the assets value positively influences the dissemination of CSR politics, the location of the organization in a continental European country influence in a negative way that dissemination. That is to say that the Anglo-Saxon firms have a higher propensity for the disclosure of CSR than continental European firms. Finally, according to the presented model, CE and CSR disclosure seems to be significantly affected by the corporation’s asset value, by the proportion of board ownership and the geographic location of the company. As for category 2, there is a positive relationship with the value of assets and a negative relationship with the variable continental European firms. The conclusions to be drawn for these variables can, therefore, be replicated from category 2. The publication of both CE and CSR are also negatively related to board ownership variable. This means that the greater the board ownership the lower the propensity to the dissemination of CE and CSR.

Further we have made a robustness test. Hence and based on to the fact that the presented model used three different variables to characterize the same attribute (corporate dimension) and due to the high correlation identified between those variables, we have decided to develop three other models. We have estimated the multinomial logistic model considering that the dimension characteristic was uniquely assimilated by the assets variable, by the employee’s variable and by the revenues variable. By doing this we have found the best model (Table IV).
TABLE IV - Multinomial Logit Regression – Robustness test: the asset effect

Panel A: Multinomial Logit Model

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Category 2</th>
<th>Category 3</th>
<th>Category 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient P – Value</td>
<td>Coefficient P – Value</td>
<td>Coefficient P – Value</td>
</tr>
<tr>
<td>Constant</td>
<td>-3.2657 0.5428</td>
<td>-10.1147 0.0007***</td>
<td>-19.8853 0.0000***</td>
</tr>
<tr>
<td>X1</td>
<td>-0.6134 0.7736</td>
<td>-0.8507 0.4829</td>
<td>-3.9445 0.0188**</td>
</tr>
<tr>
<td>X2</td>
<td>1.6221 0.3094</td>
<td>0.0901 0.9206</td>
<td>0.1545 0.8718</td>
</tr>
<tr>
<td>X3</td>
<td>1.9792 0.5752</td>
<td>1.0603 0.6338</td>
<td>-1.8886 0.4375</td>
</tr>
<tr>
<td>X4</td>
<td>0.0480 0.8672</td>
<td>0.5568 0.0003***</td>
<td>1.0171 0.0000***</td>
</tr>
<tr>
<td>X5</td>
<td>-4.6334 0.0279**</td>
<td>-1.4877 0.1563</td>
<td>-0.0273 0.9803</td>
</tr>
<tr>
<td>X6</td>
<td>0.8521 0.2519</td>
<td>-1.3529 0.0004***</td>
<td>-1.0234 0.0107**</td>
</tr>
</tbody>
</table>

Normalized with respect to category 1

Panel B: Summary Statistics

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean of the dependent variable</td>
<td>Log. Likelihood</td>
<td>Schwarz Criterion</td>
</tr>
<tr>
<td></td>
<td>2.8365</td>
<td>-262,5487</td>
<td>642,1126</td>
</tr>
<tr>
<td></td>
<td>Log. Likelihood</td>
<td>-262,5487</td>
<td>642,1126</td>
</tr>
<tr>
<td></td>
<td>Schwarz Criterion</td>
<td>642,1126</td>
<td>642,1126</td>
</tr>
<tr>
<td></td>
<td>Akaike Criterion</td>
<td>567,0974</td>
<td>567,0974</td>
</tr>
<tr>
<td></td>
<td>Hannan-Quinn Criterion</td>
<td>597,2442</td>
<td>597,2442</td>
</tr>
<tr>
<td></td>
<td>Chi-Square (Log. Likelihood Ratio)</td>
<td>119,9360</td>
<td>119,9360</td>
</tr>
<tr>
<td></td>
<td>Degrees of Freedom</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>P value</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td></td>
<td>Number of cases correctly predicted</td>
<td>129</td>
<td>129</td>
</tr>
<tr>
<td></td>
<td>Percentage of cases correctly predicted</td>
<td>49.00</td>
<td>49.00</td>
</tr>
</tbody>
</table>

Note: Panel A presents the results of the statistical analysis, according to the categories (category 2 – the firm disseminates CE; category 3 – the firm disseminates CSR; category 4 – the firm disseminates both CE and CSR). All the results are normalized with respect to category 1 – firm does not disseminate CE neither CSR. The data is identified as coefficients (i.e. log of odds). The direct effect of each variable on the dependent variable is given by the Z value. The identified coefficients correspond to: X1 - Board Ownership; X2 - Outside Directors; X3 - Women; X4 - Log (assets); X5 - Financial Structure and X6 - Continental European. ***Correlation is significant at the 0.01 level (2-tailed); ** Correlation is significant at the 0.05 level (2-tailed); * Correlation is significant at the 0.10 level (2-tailed). Panel B presents the summary of the statistics analysis.

The conclusions to be taken from the multinomial logistic regression of the assets model are very similar to those obtained for the initial model. The statistical significant variables and their level of significance remain unchanged. The single disclosure of CE remains negatively related to the financial structure variable. The unique publication of CSR politics continues being affected by the assets and the continental European variables. The assets positively influence the dissemination of CSR and the Anglo-Saxon firms have a higher propensity for the disclosure of CSR than their continental European counterparts. Finally, the publication of CE and CSR maintain the negative impact of the continental European and the board ownership variables and a positive impact of the assets variable.

We can conclude that by isolating the asset effect from the others characteristics of corporate dimension we improved our model maintaining the significant variables and their level of significance.

5.1 Comparison with other researches

It can be observed that our methodology is at some point divergent from previous studies on the matter. Even though, we can establish some parallelism with previous investigations, especially with several studies that seek to correlate CE or CSR with CG characteristics.
Dominguez et al. (2009) developed a similar study whose objective was to look for corporate governance characteristics that influence the dissemination of codes of ethics. Their research has been critical to the present investigation; that’s why it is important to primary compare our results with Dominguez et al.’s ones. So, accordingly to the research developed by Dominguez et al. (2009) the Board ownership is negatively related to the adoption of ethical codes of conduct in continental European countries and was not statistically significant for Anglo-Saxon market. On the contrary, Zahra et al. (1993) found that ownership by corporate insiders is positively associated with corporate social responsibility. On this matter, our study does not identify a significant relation between the dissemination of CE and the Board Ownership variable. Yet, when we consider jointly the publication of CE and CSR, we report a negative relation between Board ownership variable and the publication of both CE and CSR politics.

Dominguez et al.’s research also revealed that the women participation had no influence on the adoption of CE. We obtained the same result when analyzing this variable. Further, Dominguez et al. (2009) verified that a greater percentage of outside directors in the Board positively influence the creation of a corporate code of ethics in continental European countries. In contrast for Anglo-Saxon countries the results were not statistically significant. Similarly, Zahra et al. (1993) have proved that the percentage of outside directors is positively associated with CSR issues. Our analysis concludes that the Outside Directors variable was not statistically significant neither for the isolated publication of CE or CSR or for the both dissemination of CE and CSR on corporations web sites. The divergence of the results obtained for some variables shows that there is still need for further research in order to assess the real impact of each variable in the publication of CE and CSR.

6. Conclusions

This paper provides empirical evidence about the publication of CE and CSR of the companies listed on stock exchanges of Lisbon, Madrid and London. It comes in line with the growing concern of businesses and public opinion in general for CE and CSR themes. Both are more than mere internal management documents. The potential to influence the stakeholders and thus shape their positioning towards the company cannot be ignored. When developing this paper we wanted to determine corporate characteristics that may influence the dissemination of both codes of ethical conduct and politics of corporate social responsibility in the web site of the organizations. According to their specificity, the independent variables where grouped in four categories: corporate governance, dimension, financial structure and geographical location. The four categories contain a statistically significant variable. The Board ownership variable, included in corporate governance category, influences the publication of both CE and CSR. The assets, incorporated in dimension category, affect the isolated disseminations of CSR as well as the publication of both CE and CSR. Similarly, the geographical location category affects the isolated publication of CSR and the both dissemination of CE and CSR. Finally, the financial structure category influences solely the divulgation of CE.

It was with this assumption and in order to recognize any patterns in the companies that publish their CE and CSR, that this research has been developed. The results show that the variables affecting the publication of CE differ from those that influence the dissemination of CSR politics. The divulgation of both CE and CSR is affected by a variable that does not
influence any of them in isolation. Still, the publication of CSR politics and corporate CE does not guaranties that firms operate in a social responsible and ethical way.

References


OCDE. (2004). Os Princípios da OCDE sobre o Governo das Sociedades. **OCDE**.


