Stakeholder Salience in Corporate Codes of Ethics

Using Legitimacy, Power, and Urgency to Explain Stakeholder Relevance in Ethical Codes of German Blue Chip Companies

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Abstract

What stakeholder groups are addressed in the German blue chips' corporate codes of ethics and why do companies concentrate on particular stakeholders? These questions were subject to a study on stakeholder salience in the corporate codes of ethics of the German DAX 30-companies. The extent and the mode stakeholders are addressed in the ethical codes of the companies listed in the German blue chip stock market index were analysed. The empirical results were interpreted in the light of stakeholder salience theory. Stakeholders' legitimacy, power, and urgency were evaluated against the background of the German business context and the sphere of research on applied business ethics in Germany. The results indicate firstly that companies develop a differentiated perception of their environment in terms of their ethical responsibility whereas they clearly distinguish between primary and secondary stakeholders. Secondly, this perception reflects the German business context and, hence, highlights the companies' embeddedness in a specific environment. Thirdly, stakeholder attributes offered by the stakeholder salience theory are proved to be instrumental for a systematic evaluation of stakeholder relevance. However, the findings point to a different relationship between these attributes than it is proposed by the theory.

Keywords

Code of Ethics, Germany, Stakeholder Salience, Legitimacy, Power, Urgency

Introduction

Adopting a corporate code of ethics or code of conduct (in the following used as synonyms) is common business ethics' practice for large German companies nowadays. These codes are commonly defined as formal documents declaring the responsibilities and good conduct of the corporation towards its stakeholders but also the conduct that the corporation expects of its employees (Kaptein and Wempe, 2002; Wood and Rimmer, 2003; Schwartz, 2004). Codes of conduct and codes of ethics are comprehensive documents proscribing behaviour and prescribing punishments (Weaver, 1995). In other words, they are regarded as statements setting down corporate principles, ethics, rules of conduct, as well as codes of practice of the company's philosophy concerning the corporate responsibility towards its stakeholders (Langlois and Schlegelmilch, 1990).

In Germany, knowledge on code adoption, code content, and on addressed stakeholders is yet limited to a small number of previous studies. A systematic analysis of stakeholder salience and hence relevance has not been provided so far. Such an analysis, however, would lead to fruitful insights into the rationales of German companies' perception of relevant stakeholders. Identifying differences in stakeholder responsibility and embedding the results into the specific German business context could assist to draw a picture of ethical relevance of stakeholders for German companies.

The aim of this article is to study stakeholder salience in the codes of ethics of German blue chips. Therefore, the extent and the mode stakeholders are addressed in the ethical codes of the companies listed in the German blue chip index "Deutscher Aktienindex 30" (DAX 30) is analysed. Stakeholders are defined as individuals or groups featuring a role-specific and morally legitimate claim to have their interests served by the company's business (Kaler, 2002) and are able to influence the firm (e.g. Savage et al., 1991). The results are interpreted in the light of the stakeholder salience theory. In particular, stakeholder importance is evaluated by applying legitimacy, power, and urgency as the attributes of stakeholders in order to examine the relation of the companies to these groups. The evaluation of stakeholder relevance is done against the background of the specific German social and institutional environment the companies are embedded in.

The following paragraph outlines the main ideas of the stakeholder salience theory. Legitimacy, power, and urgency are described as the attributes determining stakeholder salience and hence relevance of a particular stakeholder group. Here, the article refers to recent developments of the theory that incorporate the idea that stakeholders possess these attributes to a certain degree but also reconsider the link between these attributes. Then, the method of data gathering is presented and the sample is illustrated. An explanation is given why the analysis does not concentrate on all codes found within the DAX 30 companies. Afterwards, the process of analysing the collected codes is outlined pointing to the circumstance that the empirical results are further qualified for a systematic qualitative assessment of a stakeholder's legitimacy, power, and urgency. The subsequent presentation and discussion of the results starts with outlining the two different groups of stakeholders that can be identified in terms of the extent they are addressed in the codes. The article further analyses selected stakeholders because a full discussion covering all identified groups of stakeholders would be out of the scope of this manuscript. Hence, the salience of exclusive and the probably most relevant stakeholders in the German context is exemplified. The final part of the article concludes that companies develop a differentiated perception of their environment in terms of their ethical responsibility whereas they distinguish between primary and secondary stakeholders. Moreover, the extent and the mode stakeholders are addressed in the codes clearly reflect the German context. Finally, the appropriateness of stakeholder attributes provided by the stakeholder salience theory to explain systematically stakeholder relevance is evaluated.

Stakeholder Salience Theory

The stakeholder approach has become quite prominent in business ethics research in previous years. It postulates that the corporation, or more precisely managers and entrepreneurs, must take into account the legitimate interests of those groups and individuals who are affected by or can affect the firm's activities (Donaldson and Preston, 1995). At the same time, this approach introduces the idea of corporate social responsibility (CSR) into a company's business (Kaler, 2004).

In order to identify stakeholder relevance, Mitchell, Agle and Wood (1997) proposed the stakeholder salience theory. This theoretical framework aims to identify stakeholders' reliability indicating their salience, which is understood as "the degree to which managers give priority to competing stakeholder claims" (Mitchell et al., 1997: 854). Within the stakeholder salience theory, power, legitimacy, and urgency are independent attributes of stakeholders used to define the company's relation to these groups. Power refers to the ability of a stakeholder to influence the firm's survival based on the ownership of and/or access to relevant resources. Differences in the amount of resources owned or controlled as well as the relevance of these resources result in different possibilities of stakeholders to exert influence on the firm. Legitimacy refers "to socially accepted and expected structures or behaviors" (Mitchell et al., 1997: 866). Entities in a firm's environment that have legitimate standing in the society or may have a legitimate claim on the firm are defined as being legitimate stakeholders. Urgency is understood as the degree to which the management is allowed a delay in attending stakeholders' claims before the relationship is perceived as unacceptable (time sensitivity). Urgency, further, refers to the importance of a claim or the relationship to the stakeholder (criticality) (Mitchell et al., 1997). It is obvious that the importance of a stakeholder increases with the degree to which a stakeholder claim calls for immediate attention. Summarizing, power, legitimacy, and urgency are key variables in defining stakeholder salience. The more a stakeholder possesses these attributes, the higher its salience perceived by the management. In other words, a stakeholder with high salience possesses all three attributes (Mitchell et al., 1997). Agle, Mitchell and Sonnenfeld (1999) have studied this basic relation in subsequent research.

Arguing that the attributes are not just binary like proposed in the original version of the theory but variables operating on continua, Neville, Bell and Whitwell (2004) developed the theory further. According to their revision of the stakeholder theory, salience cannot only be defined and described by simply taking into account the number of these three attributes. Instead, they followed Winn and Keller (2001) who argued that stakeholders possess these attributes to a certain degree. Therefore, it is not just the mere possession of one or more attributes that defines stakeholder salience but the degree a stakeholder possesses these attributes. That means, a particular stakeholder has, for example, high legitimacy but medium power and low urgency. Introducing different degrees of attributes results in a more differentiated picture of stakeholder salience.

Additionally, Neville and colleagues addressed the question "whether the simple addition of the individual levels of the attributes will lead to an accurate assessment of 'total' stakeholder salience" (2004: D2). They demonstrated that power and legitimacy lie on the same axis as these attributes overlap to some degree and thus are in a coexisting relation. Urgency serves as a variable moderating the salience of power and legitimacy. In case of time sensitivity and criticality power and legitimacy are proposed to become more relevant.

Methodology

Sample and Data Collection

The study concentrated on the German blue chips listed in the prime index at the Frankfurt Stock Exchange (the so-called DAX 30) and their codes published in German language. These companies are the most visible German enterprises and hence probably the most important ones perceived by investors, business analysts, and the public. Consequently, studying the German blue chips means to analyse a leading example representing large German companies. Even if most of them are operating internationally and offering ethical codes in English language, I concentrated on codes written in German and published on the company's German webpage, as in some cases a code in English language was non-existent and in other cases English and German codes differed. Codes written in German language are designed addressing a specific German audience (e.g. employees, business partners, financial analysts or the government). Hence, it is assumed that these codes refer to a specific legal, social, and business context in Germany when outlining the ethical responsibility of the company and describing expected employee behaviour.

Following Campbell and Beck (2004), it was assumed that like other large German companies the DAX 30-firms publish their codes of ethics on their webpage nowadays. Therefore, data collection started with visiting the web pages of the companies and searching for published formal documents, which address business ethics and business conduct issues. If no such document was found, the companies were asked if a code of ethics exists and could be made available.

This approach that lasted from January 2007 until February 2008 (including two rounds of updating the codes) resulted in 29 documents covering 24 companies of the index. Five companies denied the existence of a formal document addressing ethical issues and one company refused to send in the code. In a next step the sample was further modified. The 29 documents consist of different kinds of documents. Four texts are labelled "Social charta" documenting basic social rights and principles. Generally, these documents echo the labour standards provided by the International Labour Organization (ILO) and the UN Global Compact, such as upholding the freedom of association, abolishing child labour, or eliminating discrimination. Another four codes are designed for particular groups of employees (e.g. code of ethics for senior financial officers) defining their specific ethical responsibilities and expected conducts. The remaining 21 codes, usually titled "Code of ethics" or "Code of conduct", are formal documents broadly addressing business ethic and business conduct issues. These codes not only cover numerous ethical responsibilities of a company and its employees towards various stakeholders but also provide numerous rules for appropriate ethical behaviour and hence expected employee conduct. At the same time, these codes refer to mechanisms applied to enforce the rules and to punishments associated with uncovered misconduct. The analysis concentrated on the latter codes as it was intended to study codes that are close to the understanding outlined above and to ensure consistency within the sample. Therefore, codes for specific groups of employees and those aiming at a particular labour related subset of a company's social responsibility were excluded. Table 1 in the appendix provides an overview of the sample.

Data Analysis

Corporate codes of ethics define the responsibility of a company towards various stakeholders. To cover this variety, each of the sample codes was analysed using a set of twelve stakeholder groups developed out of reviewing past studies (e.g. Weaver et al., 1999; Farrell and Cobbin, 2000; O'Dwyer and Madden, 2006) as well as other literature on codes of ethics. Internal stakeholders are employees and owners. External stakeholders are the state (resp. federal government and federal state government), customers, suppliers, competitors, the region / municipality (incl. local authorities), NGOs, political parties, unions, as well as the general public. In contrast to previous studies, the natural environment is not regarded as a stakeholder group here. Although it is clearly affected by or can affect a company's activities, I understand a stakeholder as a social entity being able to deliberately determine its actions.

In the analysis of the codes, each stakeholder group was examined separately due to the circumstance that there were different responsibilities towards different stakeholders (Kaler, 2003; Kaler, 2004). The frequency to which stakeholders are addressed was identified, i.e. the number of codes addressing each stakeholder group, achieving, then, a ranking tentatively indicating the relevance of each stakeholder group for the companies. These findings were further determined by evaluating the mode stakeholders are addressed. It was examined which specific responsibility and / or behaviour the company declares towards this group.

The results were further related to the German business context and research on applied business ethics in German companies in order to further discuss the code content and to provide a systematic analysis of stakeholder salience. Firstly, previous studies on corporate codes of ethics directly addressing or including German companies were referred to in order to identify relevant stakeholder groups and to get insights into the reasons for this relevance. Secondly, the results of the study were compared with existing research on applied business ethics of German companies. Although there is only a limited amount of literature on applied business ethics, the existing results backup my empirical findings. Thirdly, literature describing the German business context is used in order to explain why certain stakeholder groups are perceived as being more important than others. Referring to this literature accounts for the relevance of each stakeholder group using the three stakeholder attributes of legitimacy, power, and urgency. Then, the degree these attributes that are possessed by each stakeholder is evaluated. Hence, management's decision to include a particular stakeholder group in the corporate code of ethics is discussed in the light of the stakeholders' salience for the company. This examination embeds the stakeholders' relevance into the specific German institutional framework the companies are part of. This framework defines to a certain degree stakeholder groups, which companies have to declare responsibility to in their code.

Results and Discussion

Stakeholders are addressed with various frequencies in the codes. In particular, two groups were identifiable. The first group consists of seven stakeholders that are often or very frequently addressed in the codes, i.e. customers (100%), state (90%), employees (86%), suppliers (86%), competitors (81%), owners (76%), and the public (71%). The second group comprises five stakeholders that are addressed to a lesser extent or yet minor degree, i.e. political parties (33%), region / municipality (19%), NGOs (14%), loan capital providers (5%), and unions (0%). Both groups are discussed more detailed in the following, in particular with reference to the salience of selected stakeholders. It would be out of the scope of this article to fully consider every stakeholder group. Hence, a selected analysis is provided examining more closely those groups frequently referred to by academic literature on German corporate business ethics and perceived as important groups within the German business system. The group of stakeholders most often addressed is linked to customers, the state, and employees. The discussion of stakeholders addressed to a lesser extent focuses not only on NGOs a group to which mixed levels of relevance are ascribed in German business ethics literature but also on unions as they are perceived to have a strong impact on firms within the German system of industrial relations (see table 2).

Stakeholder (Coverage %)	Ethical issues	Legitimacy	Power	Urgency
Customers (100%)	- Protecting confidential customer data - Fair treatment of customers - Respecting customers' interests - Not attempting to bribe customers and not accepting any bribery attempts by customers - Avoiding customers' disadvantages by preventing open competition - Ensuring high product quality	HIgh	High - Medium	Medium
State (90%)	- Abiding laws - Not bribing civil servants and office holders - Fair behaviour in case of official investigations by government authorities	High	HIgh	High
Employees (86%)	- Anti-discrimination - Fair treatment in terms of employee participation or support of an open corporate culture - Health protection	High	High	High
NGOs (14%)	- Supporting NGOs' objectives - Fair and sensible treatment	Medium - Low	Low	Low
Unions (0%)	- None	Low	Low	Low

Table 2: Stakeholder Group, Related Ethical Issues, and Levels of Legitimacy, Power and Urgency

Analysing examples of particular stakeholders means to have sufficient space for a systematic and comprehensive evaluation of their salience in terms of stakeholder's legitimacy, power, and urgency. During the discussion, translated citations of the codes are used to illustrate the particular mode companies follow to address ethical issues with each stakeholder group and to intertwine empirical results and their systematic interpretation.

Customers

As selling products or providing services are key factors in the company's business, it seems to be obvious that customers are rated firstly when it comes down to declare the responsibility of a corporation towards its stakeholders. The companies perceive customers as the most important stakeholder group and consequently have to affirm their ethical responsibility towards this group, for example in declaring to respect customers' interests:

"We satisfy various interests of our customers and business partners by showing integrity, fairness, and honesty in our behaviour." (Deutsche Post)

This result is supported by previous research on the German national business system, which features established and long-term networks of relationships between suppliers, customers, and financiers (Ferner and Quintanilla, 1998). German companies tend to invest in their relation to customers being interested to establish long lasting ties. Consequently, customers seem to play an accepted and institutionalized part in the German business system resulting in high legitimacy. The following quotation illustrates how the companies usually state their responsibility towards customers:

"Customer satisfaction is the cornerstone of our business. We listen to our customers, react quickly to their needs, and anticipate future demands…" (Henkel)

As legitimized agents in the business system, customers also should have power over companies. For example, the customers' decision to stop or significantly reduce buying products from a company might result in a definite influence of a firm's survival base making the acknowledgment of customers' power reasonable. However, as the companies in this study are large firms operating internationally, the power of German customers to exert influence is limited due to two reasons. Firstly, large companies are able to influence their environment and thus customers' perception regarding the company's image. Secondly, operating internationally enables the companies to move to other markets. Additionally, although it is maintained that German companies seek long-term customer relationships based on product quality and reliability (Limprecht and Hayes, 1982), the companies' codes of ethics usually exclude quality issues when addressing customers. While there are examples of decreasing quality of German products (e.g. a set of product recalls of German cars), companies do not perceive this as a problem and, as one possible consequence, do not point out this issue in their code of ethics (Winkler and Remisova, 2007). Subsequently, customers' power has to be rated as high to medium.

If companies regard customers as legitimated and to some extent as powerful stakeholders, it could be assumed that the management is allowed only a short delay to attend customers' claims and demands, for example in terms of meeting their changing needs. Referring to the way companies deal with customer complains about poor quality (e.g. goods that are produced in Asia to a large extent but still sold as German products), we often observe, yet, that it takes up considerable time until German companies react to complains of an individual customer. So, even if companies frequently emphasise the importance of their customer service, it remains questionable whether individual customer complains are perceived as being time-sensitive and critical. This circumstance raises doubts on the degree companies perceive customers as an urgent stakeholder group. Consequently, an evaluation of the customers' importance in terms of the degree their claims call for immediate attention is difficult due to ambiguous aspects provided above. Following the critical remarks I propose that urgency as a customer attribute has to be regarded as being medium.

State

The Federal Government as well as the Federal State Governments are regarded as important sources of power in Germany and therefore are considered as a group of stakeholders with both high legitimacy and high power. The companies in Germany are embedded in a comprehensive legal framework. Thus, it seems to be reasonable for them to demonstrate their strength of will to accept laws and legal regulations in order to be supported by the state as well as to avoid extensive control and punishments (Winkler and Remisova, 2007). A statement like the following example could be found in all of the codes.

"Obeying law and legislation is our company's ultimate ambition." (Siemens)

Additionally, the state is regarded as dominating the public sphere of politics and economy (Palazzo, 2002) and so maintaining a rather high regulated business environment. Hence, German government influences business to a high degree also in the area of punishments, which are applied for not abiding by the German business laws and subsequent regulations. This circumstance makes it reasonable for companies to declare their general willingness to cooperate with authorities. The following statement from Bayer illustrates the acknowledgement of the dominant role of the state.

"The company aims at establishing cooperative and open relations to all authorities in charge." (Bayer)

Finally, the state constitutes an important stakeholder for firms, also from a moral point of view. For example, German companies request government measures to improve business ethics rather than to develop their own ethics program (Palazzo, 2002).

Turning to urgency as a stakeholder attribute of the state it is assumed that claims of the state have to be dealt with quickly due to its high legitimacy and power. Additionally, companies have to react in case of official investigations by authorities, as the state's claims are perceived as critical. For example, Fresenius advices its employees to be supportive in case of official investigations.

"Be cooperative in case of requests for information by official auditors and other official representatives." (Fresenius Medical Care)

The state's higher urgency compared to customers could be exemplified with state regulations introduced after a company's misbehaviour towards customers (e.g. service below accepted or desired standards, extortionate prices). Companies usually react to a state intervention (e.g. new statutes) immediately but not on customer complains preceding such intervention. Consequently, the state's urgency is rated as high, as well.

Employees

The companies perceive employees as the third important stakeholder group. This result supports findings of previous studies stating that employees in Germany are generally seen as resource not as costs that are to be minimized (Bondy et al., 2004). The code of MAN provides a good example of how companies value their employees in the code.

"The MAN group's success is based on the knowledge, experiences, and commitment of each employee. The MAN group invests in employee qualification and expertise…" (MAN)

The relationship between managers and employees in German corporations is embedded in the strong German system of industrial relations (Langlois and Schlegelmilch, 1990). The system of codetermination legally guarantees employees the right of information and participation. Additionally, relations between employees and management in Germany are characterised by consensus, confidence, and trust (Palazzo, 2002; Geppert et al., 2003). Consequently, we find expressions like the following in the codes:

"Broad-mindedness and trustful relations within the daily interactions are the basic beliefs of the management and the employees." (Daimler)

Traditionally employees are perceived as being a viable resource of the company (Ferner and Quintanilla, 1998). Based on this result employee legitimacy could be evaluated as high.

The ability of German employees to exert influence varies with the size of the company and the subsequent right for codetermination, i.e. legally allocated rights of participation and control. Large companies like all companies of the sample are obliged by law to allow workers' representatives. In Germany, codetermination takes place at two levels, the company level and the firm or plant level. At the company level, employee representatives (not necessarily union members) who are elected by all employees of the company have seats in the supervisory board, i.e. the board of non-executive directors. This board oversees the management board, i.e. the board of executive directors chaired by the CEO, which is responsible for determining the strategic direction of the company. Broadly defined, the supervisory board approves or rejects decisions of the management board, appoints its members, and makes decisions about their salaries (Gorton and Schmid, 2004). On the firm level, the work council (again not necessarily union members) which is elected by employees of the plant advocates for the rights of the employees. The work council has various rights of information, consultation, and participation. For example, it focuses on production issues, handles individual grievances, and is in charge of the implementation of collective agreements (Addison et al., 2007). So, while the workers' representatives are exerting influence more on a strategic level, the work council exerts influence more on an operational level. Taking into account the various abilities for employees to influence the company and firm management offered by this system, the power of employees has to be regarded as being high.

In this context, also the urgency of employees could be regarded as high. The institutionalized industrial relations in Germany, in particular the system of codetermination, made it difficult for the management to address employees' claims with much delay. So, companies declare responsibility towards employees with issues of working time and working conditions, like for example RWE.

„RWE commits itself to support employees to align company needs and private life with particular emphasis on the balance of family and work life." (RWE)

In fact, employees can directly contact the work council informing it about perceived problems or deficiencies in the employee-management relations. Moreover, workers' representatives normally make use of their legal right to influence directly management on the company and firm level. Both aspects lead to a high urgency of employees both in time sensitivity and in criticality.

NGOs

NGOs are rather less frequently addressed as stakeholders in the codes of the companies. This result is, however, not consistent with the view of some scholars who see NGOs influencing companies in Germany especially in the area of environmental protection. Foljanty-Jost and Jacob (2004), for example, advance the view that NGOs are well integrated in the climate change policy network in Germany, which indicates a certain amount of legitimacy. However, none of the companies in the sample mentioned any relevance of or cooperation with NGOs when addressing the company's responsibility for environmental protection.

Authors that are more critical claim that German companies consider NGOs as opponents of their public performance (Köpke, 2002). It is stated that there is no open and regular communication between companies and NGOs in Germany (Rieth and Göbel, 2005). Although NGOs are regarded as the key driver for the companies' perception of their social responsibility (Haufler, 2001), the most important German firms seem to perceive them as a rather irrelevant stakeholder group. Additionally, established relations with a strong state seem to interfere with the attempts of German non-institutional organizations and third-sector groups to influence the existing social order (Habisch and Wegner, 2005). Consequently, the legitimacy of NGOs has to be considered being medium to low and their power to exert influence on German companies in terms of having any impact on firms' survival as low.

The nature of the relationship between NGOs and companies in Germany leads to the assumption that NGOs' claims are perceived neither as time sensitive nor as critical by the company's management. Nevertheless, for example the Deutsche Postbank declares the willingness of the company to cooperate with NGOs in the following way.

"We will continue to get involved with sponsoring for social concerns in cooperation with NGOs and non-profit organizations in the future as well." (Deutsche Postbank)

This statement, however, points more to an attitude of 'We cooperate with NGOs when the company considers this as being useful' than to a general acceptance of NGOs as equal partners. Hence, urgency perceived by the companies should be rated as low because having quite limited legitimacy and a low amount of influence results in a low perception of the urgency NGOs' claims should be dealt with.

In contrast to NGOs so called intergovernmental organisations like the UNO or the ILO and their guidelines or codes seem to have a somewhat higher influence on the codes of ethics. About one fourth of the companies address these organisations stating that they behave in line with the guidelines of the UN Global Compact or the ILO labour principles.

Unions

None of the codes addresses unions as stakeholder the company has to any responsibility towards in ethical terms. At first view, this seems to be a remarkable result as unions are generally perceived to be strong stakeholders for companies within the German business system. Regarding the ethical responsibility of German companies towards external stakeholders, this assumption has to be put into perspective, though.

Traditionally German unions' interests are to sustain employment, to improve social and environmental standards, to enforce the right to form unions, and to fight against forced labour (Habisch and Wegner, 2005) as well as the quality of relations between employers and unions. These interests are deeply embedded in the German system of industrial relations, in which particularly the centralized, industry-levelled collective bargaining can be observed. In contrast, Habisch and Wegner (2005) also show that unions in Germany are only regarded as a weak driver for corporate social responsibility issues. The union's support of CSR aspects does not go beyond the unions' traditional interest. Therefore, companies might perceive a union's high legitimacy and power in terms of the right for association and collective bargaining but probably not in terms of the company's ethical responsibility towards its external environment.

Additionally, companies often emphasise their responsibility towards unions in specific kinds of documents. So, the right to form unions or aspects of relations between employer and employees are usually addressed in documents called standards of engagements or social standards. These documents, which are often following the international labour standards provided by the ILO, address particularly issues related to the German industrial relation system. As this study concentrates on codes broadly defining the company's responsibilities towards stakeholder groups, workers' representatives, as well as unions might not be addressed here again.

Following the outlines regarding the unions' legitimacy and power, similar arguments can be provided to identify unions' time sensitivity and criticality. The perceived decline of the unions' legitimacy in the German system of industrial relation and their constant loss of power due to the decentralisation of the collective bargaining system (Addison et al., 2007) makes unions' claims less critical for company's management. Additionally, the process of decentralising collective towards local bargaining between management and work council is supported by deregulation activities of the German government. A set of opening clauses have been established to negotiate working times, wages, and salaries on a local level or to enable companies to be exempted from the sectoral agreement for a period of time (so called hardship agreements) (Addison et al., 2007). Summarizing, recent changes in the German system of industrial relations lead to a decrease in the unions' relevance but at the same time to an increase of the importance of employees and workers' representatives on the company and firm level. Hence, for the management of German companies claims of the unions have low urgency.

Conclusions

The aim of this article was to study stakeholder salience in the codes of ethics of the German blue chips. It analysed the extent stakeholders are addressed in the ethical codes of the companies listed in the DAX 30 stockholder index as well as the issues companies raise when expressing their ethical responsibility towards stakeholders. Stakeholder salience was evaluated assessing the level of legitimacy, power, and urgency that are the attributes of stakeholders. The systematic examination of the companies' relation to these groups resulted in identifying different degrees of stakeholders' importance.

Empirical Conclusions

The companies of the sample developed a differentiated perception of the environment which is reflected in their codes of ethics. The majority emphasises the companies' responsibility towards five or more stakeholder groups. Hence, they perceive more groups than only shareholders as relevant regarding their ethical responsibility towards the business environment. The DAX 30-companies acknowledge that various stakeholders are important for the firm's reputation and survival and therefore have to be addressed in the code. They clearly differentiate between relevant and non-relevant stakeholders. In terms of stakeholder groups which are addressed in the codes, two distinct groups emerge, i.e. primary and secondary stakeholders (Su et al., 2007).

The group of primary stakeholders contains customers, the state, employees, suppliers, competitors, owners, and the general public. Being addressed very often in the codes indicates that the groups are perceived as relevant for the firm. These stakeholders are seen as important because most of them are of strategic importance for the companies. This is particularly the case with customers, suppliers, employees, the state, as well as owners. Relations to these stakeholders are considered essential for the companies' survival. For example, considering the extensive regulations of the business sphere established by the German state in order to provide a framework that ensures an efficient market and fair competition, it is obvious that German companies declare to obey existing legislation. Additionally, customers, suppliers, the state (e.g. interactions with employment agencies, finance offices or other authorities) are involved in the company's day-to-day business. Frequent interaction between the firm and these stakeholders are necessary in order to carry out business operations. This circumstance is an additional reason for their high salience urging companies to highlight their responsibility towards these stakeholder groups in the code of ethics.

The group of secondary stakeholders, i.e. NGOs, political parties, region/municipality, loan capital providers, and unions, consists of players being more peripheral in terms of their operational and strategic relevance for the company. For NGOs and unions, I was able to demonstrate why the companies perceive them as rather less important. Overall, this result might occur because these stakeholders do not directly affect daily business. From a strategic perspective, most of them also seem to be of less relevance for the companies; in particular NGOs with their limited influence on Germany's business environment, and the unions with their decreasing influence on companies. With political parties and thus issues like providing donations or influencing decisions, large German companies seem to downplay their real impact on the government. It is known that corporate involvement in political processes and in local communities (e.g. lobbying) is more likely to take place in Germany than in other European countries (Schlegelmilch and Robertson, 1995). However, both government representatives and companies often conceal this circumstance, as other stakeholder groups do not always accept it.

According to my study, the extent and mode of addressing stakeholders in the codes mirrors the German context. This was particularly demonstrated when discussing the results on stakeholder relevance by applying legitimacy, power, and urgency as stakeholder attributes. Therefore, even if I studied large German companies that operate globally, analysing the codes in terms of stakeholder relevance discloses their orientation towards the German social, political, and business context. Consequently, the DAX 30-companies do not just serve as an example but to some extent also as an indicator for the specificity of German firms' perception of their situation and the reaction to the typical German context. That means, analysing codes of ethics calls for a consideration of the origin of companies and of their strong links to their business environment.

Theoretical Conclusions

The stakeholder salience theory provides a set of stakeholder attributes in order to discuss stakeholder relevance in different contexts. For this study, legitimacy, power, and urgency contributed to the systematic evaluation of the importance each stakeholder group has for companies. These characteristics assisted to explain the management decision to include a particular stakeholder group in the corporate code of ethics and the way to address it. So, the attributes of the stakeholder salience theory are useful for reconstructing management decisions regarding stakeholder relevance and not only for serving as a base for management decisions about what and who is especially important, as initially intended by Mitchell et al. (1997).

Referring to the degrees a stakeholder posses these attributes, proved to be helpful in order to draw a differentiated picture of stakeholder salience in the codes and to embed the findings into the German business context. Additionally, my results support the proposition made by Neville et al. (2004) that power, legitimacy, and urgency influence each other. Discussing stakeholder salience in this study also leads to the conclusion that stakeholder attributes are not independent but rather interrelated. However, I tend to maintain the opinion that legitimacy, power, and urgency influence each other in various ways and thus lie not necessarily on the same axis like proposed by Neville et al. (2004) regarding legitimacy and power. When discussing the results of this study, legitimacy of a particular stakeholder group that means its legitimate standing in society and the legitimate claim on a company often results in deriving aspects for the power of this group. For example, the state's high legitimacy in Germany leads also to a high amount of power in terms of being able to influence a firms' survival base. Additionally, both attributes, i.e. legitimacy and power, contribute to some extent to the evaluation of the degree of urgency. Ratings of high legitimacy and power often supported the conclusion that the stakeholder has also a high degree in time sensitivity, i.e. the company has to react on stakeholder claims without much delay, as well as in criticality, i.e. the claim is important for the firm. Than again, high urgency was found to have an impact on power and legitimacy.

Limitations

Evaluating stakeholder salience for German companies served to divide stakeholders into more and less important groups and to evaluate stakeholder salience by linking the results to the German business and social environment. A closer examination that evaluates differences between stakeholder salience according to single attributes was, however, not always possible due to the limited amount of available results on descriptive research on applied German business ethics. German scholars still tend to labour with theoretical concepts (Palazzo, 2002) and toil with answering the question whether there is a need for business ethics in companies. For this reason, we still have a rather limited amount of empirical studies addressing applied German business ethics which is the major problem regarding the reliability of this study. Hence, the picture of German business ethics drawn in this study is not mirroring the latest developments in Germany (think for example of the corruption scandal with Siemens or the ongoing discussion about excessive manager remunerations). In contrast, the picture elaborated in this article displays academic knowledge on the German business context and German business ethics research that is not fully covering current developments. It is rather based on a sectional study that is not able to cover long-term developments. Therefore, also changes in stakeholders' legitimacy, power or urgency due to, for example, scandals or the various degree of media attention are not covered. Although the codes themselves are hardly changed after recent developments, the company's perception of stakeholder salience as well as the interpretation of their relevance from a research perspective, e.g. in terms of urgency, might shift.

There are, in fact, new ethical challenges German firms face because of important changes in the business world and the role of the enterprises in society (Wieland, 1998; Wieland and Grüninger, 2000). The increased complexity caused by globalizing processes leads to problems of integration and control of the newly emerging networks. Consequently, ethical problems such as ensuring ethical behaviour of the actors, dealing with cooperation and competition at the same time or the enhanced possibilities of fraud in diversified firms emerge. Increased subjectivity because of internationalization calls for a management of diversity that leads to the ethical problem of ensuring individual development and the need to follow organizational rules. Moreover, increased flexibility and more or less constantly reorganization within some enterprises require strong values to avoid the loss of sense within the workforce. Lastly and maybe mostly important in the context of the present study, the role of firms is changing in German society. It is questioned whether firms are still useful for society in some way although societal resources are used. Dismissals, increased use of flexible employment, excessive salaries of top-managers, or relocation of facilities into other countries change the perception of the role of German companies in society. Yet, these ongoing changes have not been addressed very often by research on applied business ethics. Therefore, the changing nature of Germany's business, the shifting relation between companies and society, as well as the alteration of the relationship between management and employees are subject to numerous discussions in Germany but not approached by critical research that much.

Future Research Directions

The results of this study serve as indicator for the particular way large German firms address stakeholders in their code based on their perception of stakeholder relevance. Further studies should include a larger quantity of companies from large ones to medium and probably smaller ones in order to achieve a more elaborated picture of the German companies' codes of ethics in general and the management's specific perception of stakeholder importance. In addition, much more research on applied business ethics is needed in Germany in order to disclose and understand the ongoing developments in Germany's business and social environment but also to acquire profound knowledge of the current state of the German system. Turning to the stakeholder salience theory, more empirical studies are necessary in order to investigate the relation between the stakeholder attributes. The initial study of Agle et al. (1999) provided first but mixed results on that subject. The advances proposed by Neville et al. (2004) have hardly been examined so far by empirical studies.

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Appendix

Company	Title of the document
Allianz	Code of conduct (Verhaltenskodex)
BASF	Code of conduct (Verhaltenskodex)
Bayer	Agenda for legal and responsible behaviour (Programm für gesetzmäßiges und verantwortungsbewusstes Handeln)
Continental	Code of conduct (Verhaltenskodex)
Daimler	Code of conduct (Verhaltensrichtlinie)
Deutsche Bank	Code of Conduct
Deutsche Post	Code of Conduct
Deutsche Postbank	Code of Conduct
E.ON	Code of conduct (Verhaltenskodex E.ON)
Fresenius Medical Care	Corporate Code (Unternehmenskodex)
Henkel	Code of Conduct (Verhaltenskodex)
Hypo Real Estate	Code of Conduct (Verhaltenskodex)
Infineon Technologies	Business Conduct Guidelines
Linde	Code of Conduct (Verhaltenskodex)
MAN	Code of Conduct
Merck KGaA	Code of Conduct (Verhaltenskodex)
Münchner Rück	Code of Conduct (Verhaltenskodex)
RWE	Code of Conduct (Verhaltenskodex)
SAP	Business principles for employees (Geschäftsgrundsätze für Mitarbeiter)
Siemens	Business Conduct Guidelines
TUI	Giudeline for employees (Leitlinie für die Beschäftigten)

Table 1: Sample overview (as of February 2008; note that some documents have English titles and therefore are not translated)

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