SUSTAINABILITY ISSUES IN THE ETHICAL CODES OF HYPERMARKETS. A CASE FOR INEFFICIENT SELF REGULATION.¹

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Abstract

Large retail chains have become the dominant purchasing places for Hungarian consumers. At the same time when the first large scale retail unit was opened in Hungary the first critical voices were heard on the environmental effects of hypermarkets. In the new century economic critiques have overtaken the environmental ones. In countries with longer history of retail chains and market economics the most intensive discussion is about the social effects of big box retailing. Nonetheless these social debates have had almost no effect on the Hungarian regulation of large retail chains, yet some of the problems are addressed by self regulation. This paper consists of two parts. First it gives an overview of the critical academic literature on the effects of large retail chains on the environment, on communities and on local economies. Second it analyses how these problems are reflected in industrial self regulation, namely in the codes of ethics of retail companies.

Key words: sustainability, retail chain, hypermarket, ethical code, code of ethics, self regulation, Hungary

I. INTRODUCTION

Consumption patterns are determined by infrastructures to a large extent. The sustainability of consumption depends on whether infrastructures provide access to sustainable products and services (e.g. are certified green products easily accessible to consumers?) but also on the sustainability of the infrastructure itself. The first part of our research focuses on the latter criteria and attempts to propose a set of indicators for measuring the sustainability of retail chains.

Over the past decades there has been a growing concern about the environmental, economic and social sustainability effects of large retail networks. Social movements in Hungary and throughout the developed countries have claimed that retail chains have harmful environmental effects because they: generate extra traffic, increase logistical needs, and have negative effects on long term employment. Others are worried about the decreasing vitality and viability of central urban areas and also accuse retail chains of making the food processing industry bankrupt and destroying the traditional local agriculture (see the discussion of these claims later). Such problems could be resolved via state regulation or via the self regulation of the retail industry and of individual corporations. In the recent decades, due to Hungary’s accession to the European Union, to the World Trade Organisation and to other liberal economic regimes self regulation plays an increasing role in resolving market related social and environmental problems. Thus the second part of our research focused on the question: does self regulation have a role in mitigating the sustainability effects of large retail chains? Self regulation in this context has various forms from the implementation of environmental management systems through setting ethical institutions to increased stakeholder involvement and public private partnerships – just to mention a few. In the Hungarian retail industry the most widely discussed form of the self regulation was that of the codes of ethics (see the discussion later). Therefore we refined our research question to the following: do codes of ethics as a form of self regulation have a role in mitigating the sustainability effects of large retail chains?
II. THE MARKET SIGNIFICANCE OF LARGE RETAIL CHAINS

The market share of retail chains has been significantly increasing and the retail of fast moving consumer goods is becoming more and more centralised within these institutions. The focus of this paper is on self-service retail establishments, which offer a wide assortment of food and non-food goods, whose territory is at least 3000 square meter, and that usually have parking lots. This is the definition used by the Hungarian Central Statistical Office to define hypermarkets (HCSO without year). In the following document hypermarkets will mean large retail chains according to this definition.

While hypermarkets often operate independently they may also operate inside shopping malls. In Hungary the major hypermarket chains are: Interspar, Tesco, Auchan, Cora (HCSO 2007) and CBA. The first hypermarket (Interspar in Győr) opened in 1995, six years after the regime change, and since then their numbers have been increasing exponentially. 2006 was the peak of development when seventeen new establishments were opened (HCSO 2007 and 2005). In 2008 125 hypermarkets operated in the country, the majority of them owned by Tesco (HCSO 2007, Nielsen 2008 and HCSO without year 2).

The increasing number of hypermarkets indicates a general concentration in retail trade. While the number of retail units decreased by 1.3 percent throughout the country, the number of units operating as hypermarkets grew by 61 percent between 2002 and 2007. Accordingly, the share of units operating in shopping malls or hypermarkets from the retail doubled to 4.9 percent. There is a continuous fluctuation of retailers within hypermarkets: in 2007 one in five retail units had a different owner than in the previous year.

Hypermarkets also represent a concentration in retail ownership. In an average hypermarket one business entity owns 1.9 retail units while the corresponding country average is 1.5. This is a nine percent increase from 2002 in hypermarkets and a 1.7 percent in the country average (HSCO 2008).

Concentration is also evident from market figures: the so called modern chains (hypermarkets, cash and carry, supermarkets, discount chains) together make up about two thirds of the share of the fast moving consumer goods retail market; hypermarkets alone have about a quarter share (GfK 2008a). The amount spent per one shopping trip is smaller in the case of small, independent shops; about 1000 HUF was spent in them per occasion. The corresponding figure for hypermarkets was 4200 HUF and 2200 HUF for discount chains (GfK 2008b). Hypermarkets are also the dominant places for big household purchases: four in five consumers doing big household shopping choose hypermarkets (not exclusively) (GfK 2009).
III. PROBLEMATIZING THE SUSTAINABILITY OF LARGE RETAIL CHAINS IN HUNGARY – A STAKEHOLDER POINT OF VIEW

In the recent decades various critiques emerged from various actors against hypermarkets. The most significant debates centred on the environmental concerns in the nineties and later at the beginning the 21st century about the economic dominance of big box companies. Contrary to the international experiences, the public discourse lacks the debate on the social effects of the increasing expansion of large retail units, e.g. its effect on employment or on unionization. On the other hand while the discussion of the environmental effects remained in the background on the international scene it was raised by the civil sector in Hungary and received media coverage.

Not long after the first hypermarket opened the social critique of such retail units also arrived to Hungary. In 1997 the Magyar Közlekedési Klub (Hungarian Transport Club, HTC) published material on their negative environmental effects. The 66 page booklet entitled “Shopping traffic – Shall we improve local trade or build new shopping malls?” was a translation of a material first published by the Verkehrsclub Österreich (Austrian Transport Club, VCÖ). The publication focused on the environmental effects of the increased traffic caused by large retail units built in the suburbs and it also promoted local trade, Nevertheless data and cases represented the Austrian case. In the same year one of the most well known environmentalist groups Levegő Munkacsoport (Clean Air Action Group - National Environmental Protection Federation, CAA) in alliance with a couple of local residents launched a strategic lawsuits against the first retail unit of Auchan and against the Pest County Administrative Authority, which issued the building permit. The CAA and the residents claimed that the environment would be ruined and they would suffer from increased air and noise pollution. Additionally, they claimed that the procedure for issuing the building permission had been done incorrectly (Mikola 1997, Budakörnyéki Bíróság). Finally the CAA and the residents lost the case and
the retail unit was built in spite of the confrontation with other civil organisations and researchers. Yet the CAA and green organisations remains powerful opposition to large retail units.

In 2009 the Association of Conscious Consumers published the ranking of large retail chains under the flagship of their unique ethical ranking project, entitled Cégmérce (Corporate Score). Hypermarkets performed poorly due to several environmental, employment and consumer protection failures (Association of Conscious Consumers).

About ten years after the appearance of the first critical voices from civil society organisations, ministries and governmental authorities started to pay attention to the anomalies involved in the operation of the large retail units; unfair business practices, economic inequalities and the harmful effects on local enterprises were main concerns. More than a decade after the first hypermarket had opened the economic and social effects of large retail chains became a hot topic in governmental communication. From 2006 new trade law ordered retailers with significant buying powers to maintain fair business relations with suppliers. The Ministry of Agriculture and Rural Development was one of the leaders of these new waves of critiques. In 2006 it initiated a code of ethics for the retail chains with the declared goal of promoting products with Hungarian origin. However, after few months of negotiation the draft was withdrawn. At the same time a parallel initiative by the Hungarian Trade Association (HTA) was successful. Besides having fair business practices as a central issue it took a progressive approach and also promoted environmental perspectives (after primary business interests). The code states that retailers should prefer energy saving and environmentally friendly products, introduce selective waste management programs, and should seek to use environmentally friendly packaging. The code was endorsed by the major chains and also approved by the Hungarian Competition Authority. The code is still in force (see later).

In 2006 the government also established a committee for examining competition practices and the state of consumer protection in large retail chains and through their supply chains. The report emphasised the significance of big box chains by pointing out that while units above 400 square meters only represent a two thousandth of existing retail units more than 40 per cent of retail takes place through them. At the same time retail units under 200 square meters responsible for the one third of trade. Experts also concluded that the number of large retail chains is high even by international comparison therefore the competition is strong among them (Expert Committee for Examining Retail Activities 2006).

The economic dominance of retail chains remained in the centre of public and political discourse. In 2007 and 2008 the Hungarian Competition Authority funded research on the topic. The investigation was conducted by the Research Institute of Economics and Enterprises of the Hungarian Chamber of Commerce and Industry. The first research (both qualitative and quantitative) was aimed at discovering the realities of trade practices that were referred to in the new trade regulation in force since 2006 and at measuring how informed big box suppliers were about the act. When asking about the potential harmful effects, in the qualitative phase, the representatives of suppliers mentioned that due to intensive price competition fewer resources are left for innovation. Furthermore, the high fees paid for being in the assortment of the hypermarkets lead to the disappearance of certain products and of many SMEs thus to the destruction of
local production and the loss of jobs. Environmental effects of import related transport were also mentioned and many said that intensive competition between retail chains has lead to declining product quality, which does not serve the interest of consumers (HCCI 2007).

In 2009 the Ministry of Agriculture and Rural Development again initiated a code of conduct for retailers, entitled “Food Supply Chain Code”, for promoting fair business practices in order to provide fair living for all members of the chain and for promoting the sales of Hungarian origin products (Ministry of Agriculture and Rural Development 2009). The proposal was rejected by trade associations and the Hungarian Competition Authority had been planning an investigation with the reasoning that the code would limit fair competition (Hungarian Competition Authority 2009). Finally the proposal was withdrawn.

IV. ENVIRONMENTAL, SOCIAL AND COMMUNITY ASPECTS IN THE LIGHT OF RESEARCHES

While the first critiques of large retail chains were raised by environmentalist groups in Hungary this aspect of sustainability is barely discussed in the international academic literature. The most similar cases are climate change and land use.

Beauvais (2008) made calculations on the contribution of hyper- and supermarkets to climate change. The results of the study are based on a survey among hyper- and supermarket consumers and on assumptions. Beauvais first concluded that both the size and the distance of the shopping area from town centres significantly contribute to increased car use, which was higher in low density area shopping comparing to high density zones and higher for hypermarkets than for supermarkets. Beauvais set up an indicator for measuring the environmental efficiency of purchasing from different retail units in different urban areas. His claims that a 100 EUR value purchase from a supermarket in high density zone contributes to 5 kilometres driving while 20 kilometres in case of hypermarkets in low density areas. His final conclusion is that carbon dioxide emission is four times more intensive in case of suburban hypermarket shopping than in case of local supermarket shopping.

These figures may be multiplied by exponentially growing “motorized” shopping as is the case in Hungary. Few years ago already one fifth of shopping was done with cars, however this ratio is significantly higher in the case of cash and carry (93 percent) and of hypermarkets (76 percent) and of discount chain shopping (47 percent) (GfK 2008c).

Hypermarket construction on green fields also contributes to urbanisation that leads to increased imperviousness and therefore to decreasing water quality. The study "The Importance of Imperviousness”, prepared for local water preservation policies, states that ”imperviousness is a powerful and important indicator of future stream quality” as such surfaces ”collect and accumulate pollutants deposited from the atmosphere, leaked from vehicles… In some cases, impervious surfaces themselves become a significant source of pollutants (e.g. zinc desorbing from roof surfaces). ” Utilization of already existing urban infrastructure for commercial purposes has the benefit of not increasing imperviousness. On the other hand
the large footprint of hypermarkets means that their creation, along with urbanization in general, increases imperviousness and therefore pollution (Scheuler 1994).

There are dozens of academic studies on the social effects of large retail chains especially on that of Wal-Mart in the United States. According to the CNN’s Fortune 500 ranking Wal-Mart is the second largest US firm, with the 405 607 million dollars annual revenue (CNN 2009). According to the 2009 Annual Report from Wal-Mart their average discount store size is 108,000 square feet while their average supercenter size is approximately 186 000 square feet (Wal-Mart 2009). The supercenters then are similar to Hungarian hypermarkets such as the Auchan in Budaörs which is about 170 000 square feet.

In 1999 Boarnet and Crane analysed the effects of Wal-Mart on labour market for the Orange County Business Council (United States) and on the basis of various statistical evidence they claimed that grocery stores offer better wages and benefits compared to Wal-Mart or other low cost retailers.

Later Basker’s paper (2005) demonstrates the importance of longitudinal analysis. According to the statistically significant results Wal-Mart contributed to the net creation of about 40 jobs in the first year of entry and 20 in the subsequent year per county. This is less than the company originally promised and less than the average employment of a Wal-Mart retail unit (150-350 workers). This discrepancy is due to fact that the entrance of Wal-Mart into the market generated lay offs and forced competitors to downsize. In the following years all together about 90 jobs were lost in the retail and in the wholesale sectors. However, Basker notes, the overall balance at the five year horizon is still slightly positive. All together the study estimates about 10-30 newly created jobs – far less than the original estimation. Contrary to the small contribution to employment in the retail sector, a small negative effect of Wal-Mart entry was shown on wholesale employment. This is most probably explained by special vertical structure of Wal-Mart that organises wholesale for itself. This study also shows that other sectors, such as automobile sales and services, restaurants or manufacturing businesses were not affected by new Wal-Mart stores.

Dube and Wertheim (2005) focused on the effects Wal-Mart has on wage level. They used labour statistical models and found that average earnings fall when Wal-Mart enters a market. Authors claim that Wal-Mart does not create additional jobs and additionally reduces total income for retail workers. Neumark et al. (2005) not only state that Wal-Mart does not created additional jobs, but they claim that each Wal-Mart worker replaces approximately 1.4 retail workers, which represents a 2.7 percent reduction in average retail employment. Their analysis also shows that big box store openings contribute to a 1.3 percent decline in retail earnings. Nevertheless, authors note that this phenomenon is observed in a generally rising retail employment environment. Similar results were also confirmed by Dube et al. (2007) who examined the wages of hypermarket workers in the United States using the data of the US Bureau of Labor Statistics, and found that wages were indeed lowered; workers at Wal-Mart make about a quarter less than those workers in competing stores. Statistical evidence was found that Wal-Mart entry reduced both average and total retail earnings (wages other benefits) in urban areas. Authors measured a 0.5 percent drop in retail earnings on the county level per opening of Wal-Mart. On the state level the opening of ten Wal-Marts resulted in a 0.5 to 2
per cent decrease in average earnings. Drops mostly affected employees at Wal-Mart competitors.

Large retail chains mainly affect the local economy through their taxes and by their spending power. Basker (2005) who researched the employment implications of Wal-Mart on the county level also concluded that while Wal-Mart entries may contribute to a slight increase in retail employment in the midterm, they reduce the number of small retail establishments in the county. Such results may be particularly interesting for evaluating the tax incomes of local communities. Boarnet and Crane (1999) pointed out that the municipal benefits are lower than they are purported to be since the increased tax income is offset by tax losses from existing businesses.

A study prepared by the Civic Economics (2002), a Chicago based consulting firm, analysed local data and of using economic models concluded that local merchants have a greater local economic impact. This is because much of their money is spent in the local community. The authors also claim that stores competing with chains will decline, causing a further decline in local economic activity even if total sales increase. Finally, small changes in consumer spending habits have a strong impact on the local economy.

A US based think-tank Institute for Local Self-Reliance compared detailed financial information obtained from eight locally owned businesses and from big box retailers. ILSR concluded that while local businesses spend more than half of their money in the local and state economy, big box stores spend only around one sixth in state. Charitable giving was also examined, evidence was found that local businesses give far more relative to their revenues than big box stores (ILSR 2003).

V. CODES OF ETHICS AS A MEANS FOR SELF-REGULATION FOR MITIGATING THE SUSTAINABILITY EFFECTS OF HYPERMARKETS

As discussed in part III codes of ethics as public governance means to regulate hypermarkets beyond legal regulations were already subjects to public discourse. Even their potentially harmful sustainability effects on society and economy were debated. After shortly introducing the different types of ethical codes, this part of the paper aims at answering the following question: do codes of ethics as a form of self regulation have a role in mitigating the sustainability effects of large retail chains? There are two parts of the answer: first we made conclusions on the basis of the academic literature, second an empirical research has been conducted that examined the accessibility and the content of the ethical codes of Hungarian hypermarket chains.

Although several civil society organisations claim that self regulation is mainly endorsed by corporate lobbyist and is just another means to avoid efficient legal regulation, concluding from their definition ethical codes may efficiently increase corporate accountability and transparency also in the field of sustainability, if companies make efforts for stakeholder involvement. Ethical codes
declare the organisation’s (in this case large retail chains) commitments to its stakeholders, or they may be (or include) the code of conduct for employees. The codes also clarify the objectives the company pursues, the norms and values it upholds and what it can be accountable for. There are several forms of the ethical codes: organisations, professions (e.g. architects, auditors) or industries may have such documents (e.g. retail). Moreover certain programmes, coalitions, or other sub-groupings of organisations may also establish codes of ethics for their members (Crane and Matten 2004).

The aim of a code can be to reduce the risk of unethical behaviour, or to help the organization in living up to the expectations of its stakeholders, and thus boost their confidence in the company. (As we could see in the introduction, the critique of hypermarket activities may serve as the basis for formulating such an aim.) On the level of certain industries a secondary aim of a code (and other ethical institutions) may also be important, namely to relax state regulations or control (Radácsi 1996, Swartz 2004).

The main content elements of codes are the definition of the principles and standards that an organisation believes in or wants to follow (Crane and Mattern 2004), as well as practical guidelines for employee behaviour, either generally or in specific situations.

We know of many forms of ethical codes. Kaptein (2004) makes a distinction between three clusters: (1) the stakeholder statute/business principles, (2) the values statement and (3) the code of conduct. Depending on the type and the detail of the guidelines, the following types of documents may be distinguished: rule- or value-based; containing more or less detailed guidelines (Radácsi 1996, Hoffman 1996).

**Codes: are they efficient?**

Ethical codes are one of the most controversial tools for guiding responsible, ethical corporate operations. Many dispute whether ethical codes are efficient and whether they are capable of securing any objectives that go beyond legal compliance and serve the public good. In the past few years several studies have appeared which question the efficiency of ethical codes both on the theoretical and on the empirical basis. For example after reviewing the empirical literature on the efficiency of ethical codes John C. Lere and Bruce R. Gaumnitz (2003) concluded that the efficiency of codes is doubtful. The reason for this is that the provisions set out in codes do not affect decision-making. Why? To answer this question the authors point to the Swartz’s earlier study from 2001, which identifies three main causes: (1) decision-makers had known what is right and wrong behaviour without a code, (2) the code of ethics only contained commonplaces according to those who were supposed to follow them, and (3) they believe that they were never confronted with
an ethical dilemma. According to the authors a code of ethics can only induce change by changing the beliefs of decision-makers concerning what is ethical and what is not. However, the authors also consider this model to be rather speculative. They believe that a claim contained in a corporate document can produce such change only in exceptional cases. This is most likely so if the decision-maker’s position diverges only slightly from what is written in the code of ethics. This however contradicts the very aim that ethical codes wish to facilitate change. They can only be successful in reaching this aim, if there is a significant difference between generally accepted and practiced norms, and the principles laid out in the code (Lere and Gaumnitz 2003). If we examine to what extent ethical codes can contribute to the realization of sustainable consumption, it becomes clear that the ethical codes must then contain guidelines as to what is to be considered sustainable. (This too however, only leads to change, if the decision-makers are open to alternatives facilitating sustainability in the first place.)

Stevens (2008) sheds light on further motives regarding the low efficiency of codes: besides the existence of a code, the author stresses the processes and systems that the code symbolizes, therefore forced code compliance is not efficient. The efficiency of codes is best aided by cultural embeddedness and the proper communication of the values manifested within the code, as well as by the appropriate sanctions for code violations. Besides these, Schwartz (2004) mentions individual and contextual factors, such as gender, cultural background, age, religion, or peer-group or managerial influence, years of employment, personality, beliefs and values, rewards and sanctions etc.

Concerning the efficiency of ethical codes many studies (see for example Lere and Gaumintz 2003, Stevens 2008, Schwartz 2004) emphasise that the key to the efficiency of codes is sanctioning violations. This was also the premise of the empirical study to be presented below. Since in Hungary the system of ethical codes is mainly a reaction to external requirements (see Trade Law), we assumed that accountability and the sanctioning power of the public can best mobilize the realization of the contents of an ethical code. From this point of view, the accessibility of ethical codes and the publicity of the procedures play a major role in our evaluation.

VI. EMPIRICAL ANALYSIS: ACCESSIBILITY TEST AND CONTENT ANALYSIS OF THE ETHICAL CODES

Sample and methodology
The retail chains examined in this study were selected on the basis of the two considerations. First we considered the definition of a hypermarket as given by the Hungarian Central Statistical Office
It was according to this criteria that we selected the following chains: Auchan Magyarország Kft., CBA Kereskedelmi Kft., Magyar Hipermarket Kft. (Cora), Spar Magyarország Kereskedelmi Kft. (the company operates retail units under the name Spar, Interspar, Plus and Kaisers), Tesco-Globál Áruháza Rt. Besides these, we examined other supermarket chains based on the economic power gained through their significance within retail business. In their case the selection-criteria was the 2005. CLXIV. Trade Law, which prescribes the creation of a code of ethics for those companies, company-groups or purchasing associations where the previous year’s net turnover exceeded 100 billion HUF. It was due to this criteria that our sample included Co-op Hungary Rt., Csemege-Match Kereskedelmi Rt., Lidl Magyarország Kereskedelmi Bt., Metro Kereskedelmi Kft., Penny Market, a Profi Magyarország Rt. and Reál Hungária Élelmiszer Kft. Between October and December of 2009 we checked the (1) accessibility of the ethical codes of the listed companies, and if there was one (2) their contents.

Our analysis includes those codes, which can be reached by the public via the homepage of the company, thus contributing to the regulatory power of the public. Our assumption was that an average person/consumer would not exert much more effort than this in order to gain access to a code. (At the beginning of our research we were not aware of the fact that if a code is not on the corporate website, then one indeed has to make a considerable effort to find out whether it existed, and where it was available.) In spite of this, we contacted the companies several times by phone and by e-mail to make certain of the accessibility of the codes.

We considered documents to be ethical codes which bore such a name, and which delineated the responsibilities of the company towards its stakeholders. Documents which solely formulated requirements towards a single stakeholder but not responsibilities (e.g. requirements towards suppliers), mission statements formulating economic objectives, or single perspective codes of conduct for employees (e.g. code for using corporate properties) were not considered to be ethical codes. Accordingly we did not take into consideration the Terms and Conditions of Auchan and Lidl supermarkets, which regulated terms for suppliers, as well as SPAR’s statement of responsibility.
The existence and accessibility of ethical codes
Our experience concerning the accessibility of ethical codes is summed up in the table below:

<table>
<thead>
<tr>
<th>Name of the company</th>
<th>Do they have their own, Hungarian language ethical code?</th>
<th>Accessible on the website</th>
<th>If not accessible, did they present one on request?</th>
<th>Did they sign the central HTA³ code?</th>
<th>Is a code accessible on an international website?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auchan Magyarország Kft.</td>
<td>No</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>CBA Kereskedelmi Kft.</td>
<td>No</td>
<td>-</td>
<td>No response</td>
<td>No</td>
<td>No international site</td>
</tr>
<tr>
<td>Co-op Hungary Rt.</td>
<td>No</td>
<td>-</td>
<td>Yes</td>
<td>No</td>
<td>No international site</td>
</tr>
<tr>
<td>Csemege-Match Kereskedelmi Rt.</td>
<td>No</td>
<td>-</td>
<td>Yes</td>
<td>No</td>
<td>Yes (Delhaize group)</td>
</tr>
<tr>
<td>Lidl Magyarország Kereskedelmi Bt.</td>
<td>Credo</td>
<td>-</td>
<td>No</td>
<td>No</td>
<td>Credo</td>
</tr>
<tr>
<td>Magyar Hipermarket Kft. (Cora)</td>
<td>No</td>
<td>-</td>
<td>Yes</td>
<td>No</td>
<td>Yes (Delhaize group)</td>
</tr>
<tr>
<td>Metro Kereskedelmi Kft.</td>
<td>No</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Penny Market</td>
<td>No</td>
<td>-</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Profi Magyarország Rt.</td>
<td>No</td>
<td>-</td>
<td>Yes</td>
<td>No</td>
<td>Yes (Delhaize group)</td>
</tr>
<tr>
<td>Reál Hungária Elelmiszer Kft.</td>
<td>No</td>
<td>-</td>
<td>Yes</td>
<td>No</td>
<td>No international site</td>
</tr>
<tr>
<td>Spar Magyarország Kereskedelmi Kft. (Spar, Interspar, Plus, Kaisers)</td>
<td>Credo</td>
<td>-</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Tesco-Globál Aruházak Rt.</td>
<td>Credo</td>
<td>-</td>
<td>Yes</td>
<td>No</td>
<td>Credo</td>
</tr>
</tbody>
</table>

* Y = yes, N = no, Credo = they don’t have a code of ethics on their website, but just some sort credo-like statement of values.

**TABLE 1: THE EXISTENCE AND ACCESSIBILITY OF ETHICAL CODES**

Out of the examined twelve retail chains, of which five also had hypermarkets, one (Lidl Magyarország Kereskedelmi Bt.) did not have an ethical code and did not join the HTA code of ethics either. Although Lidl publicizes its principles on its website; these are too general to call them a code of ethics. We were unable to get information about CBA Kereskedelmi Kft. nor from the company itself neither form HTA, we evaluated this as not having an ethical code. Ten chains joined the HTA code.

Two more observations are made in relation to the ethical codes. One was that while out of the examined commercial businesses none had an independent, public⁴ code of ethics, many did have a
shorter statement of values on their websites. We could find these on the homepages of Lidl, Metro, Spar (which is also operates Interspar, Plus, and Kaisers) and Tesco. These statements of values in content and in form are similar to some sort of a corporate credo, which can be seen as the reference-point of ethical codes. The corporate credo is the compact formulation of a company’s aims and values, which can be considered the foot-stone of the company’s ethical institutions, and which is suitable for the internal and external communication of the company’s value orientation. (Radácsi 1996, Hoffman 1996). In spite of this, they can only play a role in self-regulation, if other ethical institutions within the company support their dissemination and realization.

The other interesting observation was that while the ethical codes were not accessible on the websites of the twelve retail chains, they could be found on the websites of their international parent-companies. We could find a downloadable code of ethics on the international sites of Tesco, Cora, Csemege-Match and Profi, that is, in the case one-fourth of the chains, although we have to mention that the latter three belong to the Delhaize group, and their codes could only be reached on the group’s central website. We found more consistencies between the international and the Hungarian websites in the case of the credo-type statements. The accountability and thus the realisation of the company’s efforts relating to sustainability and ethical behaviour are considerably aided if the ethical codes are available to the public. Based on our research we can conclude that the large retail chains do not cooperate with the public on the effectuation of the sustainability principles spelled out in the codes (or in this case mostly in the central code of the HTA). Only Metro provided easy accessibility via a link to the HTA central code of ethics from the examined chains. Looking at it from the other side, on the website of the HTA it is not possible to find out which retail chains are committed to enforcing the regulations of the ethical code. When contacted on the phone, the secretary of the HTA informed us that the members of the association had all accepted the code – but it has to be noted, that this information could not be found on their website.

Regarding the forcing power of the public, we have to add, that as researchers we searched for information concerning the existence and content of the ethical codes with much more audacity and perseverance that an average member of the public would have. We requested data from the twelve companies on the phone and by email though communications with their staff and customer services for a period lasting two and a half months. During the several calls and correspondences, we encountered that with most of the companies the person responsible for the ethical code could not be clearly identified by the staff members dealing with external communications. Usually it took several rounds of phone calls or emails to find out, who the person responsible was, who in most cases did not at all respond to our several queries concerning the code of ethics.
The inaccessibility of the ethical codes and other obstacles of communication would hinder the accountability of the contents of the codes even if there would otherwise be a large demand for this on the part of the public. In a social environment, where awareness of corporate ethical institutions is low, which is most likely the case in Hungary, inaccessibility makes accountability impossible. This situation exemplifies one of the most important findings of the literature on the efficiency of ethical codes, namely that one of the pillars of the efficiency of self-regulation and of ethical codes is the proper communication of the existence and the content of these codes (see for example Lere and Gaumintz 2003, Stevens 2008, Schwartz 2004) – both within and outside of the company.

The content analysis of ethical codes from the viewpoint of sustainability

The original aim of our research was to study whether the codes of ethics as a form of self regulation have a role in mitigating the sustainability effects of large retail chains. First we examined the institutionalisation of self-regulation, especially the existence and efficiency of the ethical codes, second we examined the contents of these ethical codes. We were curious about the degree to which the ethical codes of large retail chains were able to reflect on their effects on the environment, on communities and on local economies. The second part of our original research-plan seems to have been thwarted due to the reasons shown above, or rather, the analysis has been limited to the a sole code, the central code of the HTA. It has to be mentioned, that if self-regulation operated efficiently in the case of retail chains, the code of the HTA could in fact have a major impact, since out of the examined chains it was accepted by over four-fifth of the companies, who in total manage more then 125 hypermarkets and at least 11 000 stores. Their commercial power can be measured by their annual turnover of thousand-billion forints (based on the presentation of Péter Feiner).

The HTA code of ethics was signed on July 4th 2006. The code mainly contains the stakeholder principles, and since it is an industrial code, it does not formulate any guidelines for employee-conduct within any specific company. As mentioned, HTA informed us that the code had been signed by all the members of the Association, but we were not able to find any written trace of this on their website.

The declared aim of the HTA code is to create harmony between the stakeholders, especially the producers, processors, traders and their employees. The preamble of the document states, that „ethical traders fulfil their tasks if they provide value at a proper market price, which is why they strive for efficient cost management and the reduction of supply costs”. With this they clearly accept the position that has been debated for decades in relation to corporate social responsibility, namely that the primary social responsibility of a company is to make profit. Despite this, the code
formulates several standards concerning the territory of sustainability, although the term sustainability itself is not directly mentioned. With regard to business relations for example, it gives special attention to companies with an outstanding environmental or social record, as well as to local (Hungarian) companies.

From among the dimensions of sustainability, the economic sphere dominates the document; they deal predominately with those regulations that secure the advantages of the signatories, or the avoidance of the possible disadvantages: the most emphasis is placed on questions regulating the ethics of competition between companies. For the sake of anticorruption, the signatories agree not to prescribe for their partners that they have to obtain certain goods, services or instruments from a third party. Also it is declared that is not ethical to limit the contractual freedom of the partners. The code also regulates that in case of partnerships colleagues are prohibited from requiring informal and personal advantages.

Regarding the protection of the environment the signatories agree to give preference to products and methods that are material- and energy-saving and environmentally-friendly; they agree to effectuate the selective collection of factory wastes, and to the best of their capacity, promote recycling; as well as to strive to use recyclable packaging-materials and advertising as widely as possible. Principles relating to information also involve aspects of sustainability. The document prescribes that only such behaviour can be targeted by costumer communication which is not opposed to such social objectives, as saving energy or protecting human health or the environment.

Out of the social aspects of sustainability, principles relating to the employees are in the foreground. The Code stresses the importance of tolerance. The signatories strive for the equal treatment of their employees, and to respect the sensitivities of costumers that stem from national, ethnic and religious convictions. A further commitment concerning the employees is to keep their training in mind, and to familiarize them with the code of ethics. From the point of view of social cohesion it is important, that it is not allowed to discriminate partners belonging to various interest-groups or social organizations, etc.

Public operation plays a key role in the ethical rules of the HTA, which pools the big retail chains. Although the meetings of the acting bodies and the hearings are private, and those participating in the proceedings cannot make public comments, indeed they are obliged to sign a statement of privacy. The decisions however are made public in relevant professional publications, in local or national papers, on radio and television, depending on the nature and the weight of the ethical matter, including the publication of the name of the condemned signatory. Publicity is also aided by the fact that any stakeholder can initiate proceedings at the HTA, provided that they previously contact the trader conducting detrimental activities in order to resolve the issue. The proceedings
are free of charge for natural persons; however the system does not provide anonymity for complainant.

VII. CONCLUSIONS

Based on our research we have found that in Hungary codes of ethics as self regulating means are not able to play a role in mitigating the sustainability effects of large retail chains. The main reason for this is that the ethical codes are not accessible to the public, that is to the external stakeholders of the company (primarily consumers, investors, creditors, local communities). The involvement of the public with the enforcement of the contents of commercial ethical codes involves many obstacles in present day Hungary. For the general public it is impossible or very difficult to find out which companies have ethical codes, or which have joined the central code of the HTA, thus they do not have any opportunity to become familiar with or call to account the contents of the codes via the given companies. From only one out of the twelve examined chains could it be clearly said that they in fact had a code of ethics (joined the HTA code), and what the contents were. We believe that only after combating the lack of public access can the question be raised whether or not the sustainability expectations reflected in the HTA or in individual codes can in earnest contribute to making the form of commerce known as a hypermarket more sustainable.

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“The sustainability effects of large retail chains” is meant as the impact of these institutions on the environment, on the communities and on local economies.

Hungarian Trade Association (THA)

It has to be mentioned, that Auchan notified us, that they did have their own code of ethics, and they did provide one for us at an early stage of the research, but since the document is not accessible to the public, we did not take it in consideration.