MODERN CORPORATE ETHICS PROGRAMS.  
FERRERO GROUP CASE STUDY

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Abstract: The importance of ethical management in organisations has been emphasized in recent years. The latest research on global economic crime published in 2018 shows that almost half of global organisations claim to have experienced economic crime during the past two years. Surprisingly, as much as 52% of all economic crime is committed by people from within an organisation. Company regulations concerning ethics and its importance often fail to be reflected in the reality of day-to-day business practice. The goal of the paper is to present the possible activities of today's companies in three major areas of ethical management (social, economic and ecological). Literature review allowed the author to clarify the objectives of his empirical research. The aim of the research was to endeavour to answer the following question: Does the recently popular concept of CSR actually affect the treatment of employees, the relationships with the stakeholders and the environmental policies within the corporation studied, or is it merely an element of the company's marketing strategy? Moreover, on the basis of his research conducted in Ferrero Poland, the Author tries to find out if nowadays corporations have adequate skills and experience in managing social responsibility projects. As a result of empirical research, the paper presents practical ways of putting ethical strategies into practice. The article presents i.a. the following examples of ethical management: Code of Business Conduct, The Code of Ethics, Advertising and Marketing Principles, the eco project "Ferrero4Future," CSR reporting, Integrity Helpline, Ferrero University, Michele Ferrero Entrepreneurial Project (supporting local communities), Kinder Plus Sport Project "Joy of Moving" and the work of Ferrero Foundation.

Keywords: Ethics programs, Ethics Culture, Corporate Social Responsibility.

1. Introduction

The importance of ethical management in organisations has been emphasized in recent years. This is connected with the business ethics movement originated in 1960s, as well as with the more recent concept of Corporate Social Responsibility. Managers' acknowledgment and fulfilment of the company's obligations towards its employees is a prerequisite for today's
management, with an increasing emphasis put on the need to integrate respecting ethical standards with the following of legal norms (ethics & compliance).

The goal of the paper is to present the possible activities of today's companies in three major areas of ethical management (social, economic and ecological). A review of Polish and foreign literature on creating and carrying out ethical programs in companies was instrumental in clarifying the objective of the empirical research: an attempt to verify how corporate CSR regulations are implemented on a daily basis in Ferrero Poland. In particular, the paper aims to verify the thesis conceived as the company's motto by Michele Ferrero in the very beginning of his business pursuits: Work, create, donate. We favour the 'ethics of doing' over the 'practice of appearing'.

Fulfilling the objectives of the empirical research allows finding answers to the following research questions:

- Does the recently popular concept of CSR actually affect the treatment of employees, the relationships with the stakeholders and the environmental policies within the corporation studied, or is it merely an element of the company's marketing strategy?
- Do contemporary corporations have adequate skills and experience in managing social responsibility projects?
- Does a company which emphasizes ethical management attract young talents and valuable employees?

In the paper, the Author also makes use of the knowledge gained from discussions with his students when teaching business ethics as part of the postgraduate course “Management of innovative projects” at the Cracow University of Economics. The course finished in June 2019 and the students were managers, including ones employed in Polish branches of large corporations.

The latest research on global economic crime and fraud conducted by PwC in 2018 shows that almost half of global organisations claim to have experienced economic crime during the past two years. It turned out that 52% of all fraud is committed by people from within an organisation. The survey was completed by 7228 respondents from 123 countries. Herein, 52% of all respondents were high-level managers, 42% worked for public organisations, including companies and 55% worked for organisations employing over 1000 people (Pulling Fraud out of the Shadows, 2018, p. 2). In light of the situation revealed in the survey, it is understandable that companies attempt to institutionalise ethical standards, as seen in the dynamic development of CSR units. However, company regulations concerning ethical standards often fail to be reflected in the reality of day-to-day business practice.
2. Methods

As it has already been mentioned, the empirical research was preceded and influenced by a review of Polish and foreign literature on creating and carrying out ethical programs in companies. The empirical research comprised of enterprise source documents survey and analysis of the explanations provided by a Ferrero Group representative. This allowed constructing the detailed case study.

As far as research methodology is concerned, there is an ongoing debate concerning the subjective aspect of qualitative research. In his vital contribution to the debate, J.W. Paluchowski raises the issue of validity and reliability of generalising qualitative research results. As he rightly points out, there are obvious limits to knowledge based solely on quantitative research, to cause-and-effect paradigm for understanding phenomena of human behaviour. Validity of scientific research is not to be reduced to empirical-mathematical verification (or falsification) of hypotheses. The work of a scientist involves formulating logical propositions and arguing one's points convincingly, thus it includes methodical interpretation of facts and generalising the conclusions drawn, while employing comprehensible language that leads to understanding. The generalising is not, however, meant to be expressed in statistical data, but rather refers to logical reasoning and meaningful interpretation and is not the primary objective of qualitative research (Straś-Romanowska, 2010, p. 104).

It is important to note that a case study allows for a very detailed description and analysis of the researched phenomenon due to large numbers of interdependent variables. Furthermore, the description and analysis are often much more comprehensive and in-depth than those yielded by quantitative research (Grzegorczyk, 2015, p. 10).

As noted by W. Czakon, a case study is an in-depth study of phenomena and processes in their real context. The selection of cases is subordinated to a clear presentation of the subject of research or their mutual opposition due to the context or course. Reflection on the usefulness of case studies reveals their advantages, which include, first of all, contextuality and depth of understanding of the phenomenon, as well as disadvantages, including mainly the lack of generalization. The circumstances of the research may support the use of such methodology, provided that they are clearly indicated and justified (2012, p. 185).

Sagan describes the scope of application of the case study as a research method. He puts forth that research methods used in economics are not based solely on a quantitative approach. Mixed qualitative methods also play a very important role. This is connected with the nature of economics as a social science in which understanding the activities of market entities requires learning about the motives they follow and the meanings they attribute to these activities (2016, p. 127).

Given the research objectives outlined earlier, case study was considered an appropriate research method. Taking into account the author's intentions to carry out broader research in
the food sector, in the future it will be necessary to conduct comparative research on a larger number of entities.

3. Literature review

Both Polish and foreign research on business ethics is developing rapidly. However, there is still insufficient literature on real-life business practice that exemplifies ethical business conduct as described in the theory of business ethics.

As Sułkowski and Ignatowski rightly notice, business ethics is a relatively new and rapidly developing area of research (2013, p. 5). They point out that issues of business ethics still call for in-depth study and research into many areas hitherto not discussed in the academia.

European standards of business ethics and of corporate social responsibility have been discussed at length by Gasparski et al. (2003). T. Czakon presents the results of his research on validity of corporate codes of ethics (2017), while Gasparski argues that a code of ethics in a company may be an effective tool in creating standards of conduct, providing that it is well-constructed, addressed to the right recipients and employed in the right manner (Gasparski, et al., 2016, p. 178). Kopka discusses the question of whether business ethics should be considered as part of general ethics or rather as a distinct field (2013, pp. 14-15). She argues that business ethics is a field of study that applies the principles of general ethics to entrepreneurial activity on the free market. Thus, Kopka opposes the idea that business – as a specific area of human activity – calls for its own ethical principles, which are sometimes in contrast to generally accepted morals.

O.C. Ferrell and L. Ferrell from the New Mexico University give an extensive review of research on business ethics and its evolution (2009, p. 17). They argue that: "there is still much to be done to understand and improve business ethics globally. The academic community can support business ethics with more research to determine the role of both the individual and organizational culture in building an effective ethics program. Businesses need to remain open to learning more about how to build an effective ethics initiative and understanding of the importance of managing the internal organizational culture to maintain a commitment to integrity and transparency".

Kaptein, professor of Business Ethics and Integrity Management at Rotterdam School of Management of Erasmus University, has studied the influence of ethics programs on the ethical culture of organizations (2009, 2015). His research interests include the management of ethics, the ethics of management, and the measurement of ethics. The results of his studies show that "ethics programs are strongly related to the ethical culture of organizations. Ethics programs are effective in improving the ethical culture of organizations". His analyses show that not every
component of ethics programs has a positive impact on every dimension of ethical culture. The implications for management are as follows (Kaptein, 2009, p. 277):

- in order to improve the ethical culture of an organization, the dimensions of the ethical culture that are to be improved should first be identified,
- ethical culture is not a one-dimensional, monolithic construct,
- the content of an ethics program should be determined by the type of cultural dimensions to be improved,
- an assessment of the ethical culture can be carried out, for example, by means of focus groups or anonymous surveys.

Kaptein also mentions the work of other researchers which shows that (2009, p. 261):

- scandals like Enron, WorldCom and Arthur Andersen have highlighted the crucial role of the ethical culture in business organizations,
- to improve the ethical culture of an organization, management can introduce an ethics program consisting of instruments such as a code of ethics, ethics training, and an ethics hotline.

All pro-quality activities regarding products and services should be seen more broadly in the social aspect of quality, combining them with the quality of working conditions, quality of life and protection of the quality of the environment. That is why, when considering any quality issues, one should always consider its social aspect (Wolniak, 2016, p. 111).

To sum up, Polish and foreign literature on business ethics abounds in different points of view, and research results are unequivocal. In addition, foreign researchers study business ethics using different frameworks, for example, development ethics, sustainable economy or sustainable manufacturing.

4. Ethics Programs in Ferrero Group

Ferrero Group boasts various ethics programs, namely: Code of Business Conduct, Code of Ethics, Advertising and Marketing Principles, eco programs (Ferrero-4-Future, F-ACTS, Fer-Way and MQP), CSR reporting, Integrity Helpline, Ferrero University, Michele Ferrero Entrepreneurial Project (which supports local communities), Program Kinder Plus Sport "Joy of Moving" and the work of Ferrero Foundation.

Ferrero’s CSR policies are created by a dedicated CSR office. Figure 1 shows areas of the Group's CSR activities.

Ferrero Group first opened its Polish office in 1992. It is worth mentioning that Poland was the first Eastern European country where the company became active. Opening Ferrero factory in Belsk Duży in 1997 was an important step in the Group's expansion. The factory produces and packages sweets sold in almost 70 countries.
The history of Ferrero Corporation is inextricably linked to the history of the Ferrero family from Piemont, Italy. In 1940s, Piera and Petro, Michele Ferrero's parents, transformed a pastry shop into a factory. The Ferrero Family was the first Italian manufacturer after World War II to open production sites and offices abroad, turning the company into a truly international Group.

Figure 1. Ferrero Group's materiality matrix. Adapted from: Sharing Values to Create Value. Ferrero Group Corporate Social Responsibility Report (2017), p. 5.

Following the success of the company in Italy, Michele Ferrero decided to also start producing abroad. In 1956, a large plant in Germany was inaugurated, and soon afterwards, a plant in France. This was the prelude to the rapid expansion of Ferrero in Europe, with the establishment of commercial offices and production centres in Belgium, the Netherlands, Austria, Switzerland, Sweden, the UK, Ireland and Spain. In the following decades, Ferrero became panglobal, with companies and plants in North and South America, South-East Asia, Eastern Europe, Africa and Australia.

More recently, the Group has expanded into Turkey, Mexico and China. During 2015, Ferrero entered a new phase of its development and expansion through two important acquisitions. In March, the company obtained the final approval to start the integration process with Oltan, now Ferrero Findik, the leading company for collecting, roasting and trading
hazelnuts in Turkey. The second acquisition, as of August, was Thorntons, the chocolate confectionary company founded in 1911 in the United Kingdom.

The Ferrero Group approved the Consolidated Financial Statements as of and for the year ended August 31, 2018 with a turnover of 10.7 billion Euro - an increase of 2.1% compared to the previous year. Ferrero International S.A., the parent company of the Ferrero Group, approved the Consolidated Financial Statements of the Group as of and for the year ended August 31, 2018. At that date, Ferrero International S.A. consolidated 94 companies worldwide, with 25 operating manufacturing plants. The Group’s products are present directly or through authorised distributors in over 170 countries. Despite the global uncertainties and the industry challenges and trends, the company was able to consolidate and confirm its performance during 2017/2018. The Ferrero Group continued to boost investment in its iconic brands and maintain a high level of operating income, as well as to strengthen internal R&D activities.

The sales of finished products increased by 3.5% (6.8% at constant rates) driven principally by Germany, France, Italy, Poland, UK and the USA. The Group’s average workforce in 2017/2018 was 31,748, an increase from 30,305 employees in 2016/2017. The headcount as of August 31, 2018 amounted to 35,146 employees, compared to 34,543 as of August 31, 2017.

In Poland, Ferrero Group owns two companies: FERRERO Polska Commercial Sp. z o.o. in Warsaw, focused on trade and marketing, and FERRERO Polska Sp. z o.o., with the factory in Belsk Duży near Grójec. Both companies employ over 1600 employees.

Ferrero Group continued investing in modernization and development of its production and packaging sites, with the expenditure reaching 744 million euros (and exceeding the previous year's investment of 631 million euros). A major part of its capital investment was spent on real estate, plants and machinery (660 million euros, exceeding the 552 million euros thus spent in the previous year), mostly in Italy, Poland, Canada and Luxembourg. This is fully consistent with both the Group's expansion policies and its social responsibility policies. Thus, Ferrero pursues its strategy, its pillars being constant improvement in product quality and increase in product competitiveness, at the same time ensuring product safety and freshness and minimising environmental impact.

As far as Ferrero's environmental policies are concerned, the Group runs the F-ACTS program (Ferrero Agricultural Commitment to Sustainability) and the FER-Way project (Ferrero Environmental Responsibility Way). One of the most important sustainability goals for the Group is the commitment to buy only cocoa certified as sustainable by the end of 2020. In 2015/2016, Ferrero used over 120 thousand tones of cocoa beans, 50% of which were certified as sustainable. Therefore, the intermediate goal – set to be achieved by the end of 2016 – was met ahead of time.

Ferrero cooperates with non-profit organizations and farmers to help them solve farming, social, community and economic problems connected with growing cocoa. The Group also carries out local projects to eliminate child labour and promote farmer education. In September 2014, the goal of using only eggs from barn hens in UE plants was met.
In 2015, the MQP - Milk Quality Project was launched. It involves 14 milk suppliers across the globe (from Italy to Turkey, from Scandinavia to India) who deliver 98% of milk used in European Ferrero plants. Over the years, the Group has built and nurtured relationships with carefully selected milk suppliers. The milk is bought directly from milk plants that had been selected according to rigorous standards, so that the whole production chain is verified to ensure freshness, safety and the right taste of milk. The short and controlled supply chain makes for a rational system of traceability surpassing legal requirements (including 100% of traceable milk plants) and the way from the supplier to the final product is fully transparent.

FERRERO Polska Commercial Sp. z o.o. and FERRERO Polska Sp. z o.o. are active employers. Over the past few years, both companies have been awarded prizes and distinctions, including “The Reliable Employer of the Year” and “Best Quality HR.” They have also been included in best employers rankings: “100 Best Polish Employers” (the Universum ranking) and “100 Best Companies” (the Polish edition of Trendence Graduate Barometer survey). Ferrero Group has launched its recruitment site (ferrero-careers.com). Every year, the Group organizes summer internships for about 25 students who carry out interesting projects and gain work experience. A lot of internships turn into permanent work contracts, thus leading to professional careers, including careers abroad. Ferrero creates detailed recruitment plans for each department. For example, Ferrero Polska Commercial Sp. z o.o. recruits for departments of marketing, sales, trade marketing, quality, trade logistics, accounting, finance and controlling, IT, PR, administration and the legal department. Depending on the current needs, the company organizes internships and traineeships that last up to six months. Internship and traineeship offers are published on the Warsaw University of Technology Career Office website, the Warsaw University of Life Sciences Career Office website and the recruitment website pracuj.pl. The Ferrero Foundation nurtures its relationship with retired employees through its social project and cultural efforts.

Since 2011, Ferrero Group has been implementing its Business Code Dialogue Engagement plan. The goal of this is to share the Code of Business Conduct with all stakeholders in the value chain. The Code is built on Ferrero principles and it fully complies with the Code of Ethics of the Group.

Ferrero revised its advertising and marketing principles in September 2018. Increasing worldwide attention to diet, nutrition and physical activity is of great significance to the international food and beverage community, of which the Group is a part. Ferrero supports the notion that responsible commercial communications can assist consumers in making appropriate choices about food and beverage products, as well as in understanding the role of nutrition, diet and physical activity in order to achieve a globally healthy and active lifestyle. According to Ferrero, the food industry can play an important role by conveying commercial communications consistent with the principles of good nutrition, balanced diet, physical activity and personal choice. Ferrero believes that an effective self-regulation of commercial communications provides a valuable framework to best serve the consumer’s interest in
receiving truthful and accurate communications. This is why Ferrero, individually as well as through the Associations to which it belongs (such as the World Federation of Advertisers and the International Food & Beverage Alliance), is an active player in the self-regulatory process at national, as well as international levels.

Another the varied ethics program implemented by the Group is the Michele Ferrero Entrepreneurial Project. The same entrepreneurial and philanthropic spirit that has characterized Ferrero since its founding was the main source of inspiration of the Ferrero Social Enterprises, which were conceived and established over 10 years ago by Michele Ferrero, first in Cameroon, and later in South Africa and India. The Project includes applying commercial enterprises to address the effects of concern; their goal, therefore, is to earn ethical profit. Hence, they act according to a 'social' spirit because they aim to create jobs in the least developed areas of emerging countries. Moreover, they implement projects and initiatives of a social and humanitarian nature, aimed at safeguarding the health and educational and social development of children and young adults in those countries. Businesses participating in Michele Ferrero Entrepreneurial Project employ over 2700 people.

The Ferrero Integrity Helpline is for confidentially reporting issues in relation to the Group's Code of Ethics and Code of Business Conduct. It is open 24-hours-a-day, 365-days-a-year and can be accessed in 43 languages. The Helpline is managed by a third-party, Convercent. Once a report has been submitted to Convercent, it is immediately made available to a Ferrero Steering Committee for review. It is possible to connect to the Ferrero Integrity Helpline in order to ask a question, report an incident or find a local telephone number.

Other examples of Ferrero's CSR activities include Ferrero University and the Kinder Plus Sport "Joy of Moving" program. The Group has been deeply involved in carefully thought-out social sponsoring for years. The "Kinder Plus Sport" program promotes physical activity and active lifestyle education among children, young adults and adults. Over 4,4 million children have benefited from the project so far.

The already mentioned Ferrero Foundation, beside its flagship support of retired Ferrero employees, organizes yearly international scientific conferences “Successful Aging”. Over 3500 retired employees have benefited from medical consultations provided by the Foundation so far. Another example of the Foundation's work is initiating and promoting a post-graduate master's degree course in “Food and Human Nutrition Sciences and Technologies”.

In all of its 24 plants all over the world, Ferrero uses only palm oil certified as sustainable, namely oil whose sourcing does not cause rainforest destruction. The certification awarded by RSPO (Round Table on Sustainable Palm Oil) guarantees that all oil is sustainably sourced and segregated. It is segregation that provides the tool to keep sustainable palm oil physically separated from non-sustainable palm oil and to trace it from the certified sustainable plantations to the production line.

On 17th June 2019, Ferrero became a founding member of the Polish Coalition for Sustainable Palm Oil (PKZOP). The mission of PKZOP is to achieve the use of palm oil
certified as sustainable in 100 % of their products that contain palm oil by 2023. Ferrero aims to inspire the Coalition's other members, as the Group achieved their target as early as in 2014. PKZOP also intends to disseminate knowledge on sustainable palm oil among Polish consumers and companies. This will be done through promotion of sustainable palm oil as the only present alternative to conventional palm oil. The project includes:

- an educational campaign on sustainability certified palm oil in the food industry, the media and the NGOs,
- encouraging the government to get involved in the work to achieve PKZOP's strategic targets and to sign the Amsterdam Declaration from 2015,
- creating educational tools for companies (workshops, case studies),
- creating a textbook with solutions used in other EU countries,
- establishing the Coalition's positions on health issues connected with palm oil consumption.

5. Summary

Ethics programs must not be one-off projects, but should rather constitute a significant long-term component of an organisation's HR strategy. The research conducted in Ferrero Polska demonstrates that Ferrero is a good example of how to practice ethical management. Their ethics programs benefit owners, employees, business partners, local communities, customers and the natural environment. Therefore, the ethical aspect does indeed play an important part in Ferrero's day-to-day business practice as conducted by the Group's different organisational units.

To answer the first research question, one must conclude that Ferrero Group's CSR activities prove the corporation's commitment to sustainability and to minimising environmental impact, while, at the same time, the said activities do have a promotional aspect. The answers to the remaining two research questions are also affirmative: Ferrero Group has substantial skills and experience in running social responsibility projects and carries out detailed recruitment projects to attract talented employees.

The research shows that creating the right ambience in the organisation is a significant factor in the development of the ethical dimension of organisation management. Such ambience results from trust between employers and employees. Respecting employees’ rights to work-life balance (the right to work-free weekend, to parental leave, and to annual holiday leave), transparent procedures (of recruitment, assessment and promotion) and the will to solve conflicts as soon as they arise are all of utmost importance. It is also vital to introduce different forms of employee participation in company management. Being strongly motivated to work
and engaged in one's tasks must bring satisfaction, which is possible only when an employee also experiences stability and peace of mind.

The importance of ethical management at the stage of recruitment, the very first contact of a prospective employee with his or her prospective employer, must not be underestimated. The right to information about circulation and storage of candidates' application documents must be respected. Finally, termination of employment must be transparently regulated (clear rules of de-recruitment and appeal procedure).

The research at Ferrero has motivated the author of the present paper to further (comparative) research in the food industry.

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