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The Adoption of Voluntary Codes of Conduct in MNCs: A Three-Country Comparative Study

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INTRODUCTION

There has been considerable debate in the literature as to why corporations use corporate social responsibility (CSR) codes of conduct. In general terms, the code of conduct literature can be divided into two camps: normative and instrumental. Aaronson and Reeves (2002) provide an example of the normative literature by explicitly stating codes are a formalization of corporate values or practices that are ". . . designed to guide the behavior of the business as they attempt to manage in nations with different political, social and economic cultures . . ." (p. 6). They further contend that codes are an "aspirational strategy . . . [that] describe how corporations and employees should behave" (p. 6). In other words, codes are seen as a way of formalizing, encouraging, and guiding employee behavior. However, they do imply the importance of maintaining a good reputation and in creating or maintaining

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trust with stakeholders. Referring to the case of Merck and Bristol-Myers, which used codes back in the nineteenth century, they argue that the primary ". . . objective was to serve public health and by doing so, make profits" (p. 3).

This somewhat instrumental view of why codes are adopted is shared by a number of authors. For instance, Diller (1999) believes that alongside many other reasons, private-sector initiatives are created from ". . . a need to preserve or legitimate a reputable public image . . ." (p. 101). Brereton (2002) believes corporations employ third-party initiatives such as codes and management systems because of the ". . . reputational benefit to be derived from participating" (p. 10). Van Tulder and Kolk (2001) similarly argue that the drastic increase in voluntary codes during the 1990s resulted from negative media attention due to such things as ". . . (tacit) support for oppressive regimes, international environmental damage or outsourcing to countries with inferior labour conditions" (p. 268). Lenox and Nash (2003) provide similar reasons, indicating that self-regulatory environmental programs were made mandatory in the American forest and paper industry "[t]o address low public opinion and campaigns by environmental advocacy groups . . . and that Responsible Care [was adopted] in response to growing criticism of the [Chemical] industry and pervasive negative public opinion" (p. 345). Brereton (2002) states that "[e]ven where companies see little inherent advantage in joining the scheme, they may still choose to participate in order to avoid the public criticism which non-participation can attract" (p. 10).

Finally, avoiding interference by government is also a frequently noted reason for corporations adopting voluntary schemes. Corporations are believed to engage in voluntary initiatives to avoid government legislation (McInnes, 1996; Diller, 1999; Brereton, 2002), to avoid government intervention (Truss, 1998), or to acquiesce government pressure to adopt international codes such as the OECD Guidelines for Multinational Enterprises (Aaronson and Reeves, 2002).

Apart from these general themes, other, more specific instrumental motivations are discussed in the code of conduct literature:

- Part of an internal control system (Brereton, 2002)
- Product differentiation in the marketplace (Lenox and Nash, 2003)

- Signal to stakeholders about a firm's quality and when these stakeholders may subsequently reward firms for participation (Lenox and Nash, 2003)
- Reduced insurance premiums (due to reduced potential for risk) and to provide evidence of due diligence (Lenox and Nash, 2003)
- Peer pressure within the same industry (Lenox and Nash, 2003)
- Government failure (McInnes, 1996)
- Applicability of codes of conduct across boundaries and borders beyond the borders of one nation-state (McInnes, 1996)
- Improvement of customer relationships (Diller, 1999)
- Maintenance of standards along the supply chain (Diller, 1999)
- Preempting boycotts and formal accusations (Diller, 1999)

Interestingly, most of these studies provided no references or data to support the corporate motivations they listed. Although the reasons appear to be common sense, one might ask what the companies actually say about their motivations for adopting codes of conduct. Furthermore, as codes of conduct are a management tool chiefly used by larger, more internationalized corporations, one might ask if the motivations for using these tools differ significantly when the corporation is operating in foreign locations. Thus, the first contribution of our paper is an empirical one; what do MNCs say about their codes of conduct?

STUDY DESIGN AND METHODOLOGY

In order to understand why corporations adopt codes of conduct, we developed a Web-based study targeting the top turnover corporations based in Canada, the United Kingdom, and Germany.

We chose this tool of data collection because we were interested in what corporations themselves said about why they adopted codes of conduct. The corporate Web sites provide the approved, formalized, and official perspective on CSR within the company and their use of these codes at the time it was accessed (Chambers et al., 2003, p. 9), creating a plausible and legitimate version of the corporation and its CSR activities (Coupland, 2003, p. 25) that is not a single interpretation given by one employee within the organization as can be the case with interviews (Chambers et al., 2003, p. 9).

The Internet was also chosen because corporate Web sites act as a communications tool for indicating the nature of the corporation in an easily accessible manner to the general public. Therefore, individuals or groups who have an interest in corporate philosophy or actions are able to see how the company wishes to be perceived by them, and our interest was in this "narrative" provided to the widest body of stakeholders possible (Coupland, 2003).

Twenty-five companies were selected from each country, and a detailed search of their Web sites was carried out to identify how and what information they presented, if any, on CSR codes and their motivations for adopting them. We also searched the Web sites for other CSR signalers and the stated motivations for adopting them. We focused on multinational corporations (MNCs), which we defined as operating or being majority owners of subsidiaries in four or more countries. The reason for this was to ensure we did not select companies for comparison that had "foreign" locations or subsidiaries in countries with very similar culture and institutions, thus not being distinctly multinational. This provides a clear opportunity to investigate the country of origin effect in three countries.

METHODOLOGY

Separate sources were used for identifying the top 25 companies per country since no single database was identified with pertinent information on all three countries together. For Canada we selected the June 2003 version of the National Post FP500 business ranking; for the United Kingdom we used the Forecasting, Analysis and Modeling Environment (FAME) (www.fame.com) database; and for Germany, we used the Hoppenstedt (www.hoppenstedt.de) database.

In contrast to Maignan and Ralston, who analyzed sample companies that were headquartered in the "respective countries of interest" (p. 500), we selected companies that are primarily Canadian, UK, or German but that also operate in four or more countries. We selected the first 25 corporations on the list for each country based on their adherence to the eight selection criteria identified. For a complete list of companies selected for this phase of research, see Appendix A.

SELECTION CRITERIA

Companies were selected if they

- Operated or owned subsidiaries in four or more countries
- Owned subsidiaries in four or more countries according to Dunn & Bradstreet's *Who Owns Whom* listing for 2002/03 (2002a, 2002b, 2002c)
- Majority owned in the respective country, or widely held with no concentration of ownership in a foreign country
- Originated in the country for which the list was created
- Were less than 30 percent foreign owned
- Were not wholly or majority owned by government
- Were not a subsidiary of another company on the list
- Had a Web site with corporate information available

RESULTS

The Web site searches provided information on corporate codes used in each country and highlighted potential differences between the countries. The next section will provide a brief description of information found for each country and then indicate comparisons with the other countries. A summary of all results can be found in Appendix B.

Three types of codes were identified: internal, external, and third party. These distinctions refer to where the codes were to be used. Internal codes are to be used by the corporation only and not by external stakeholders. This is highly linked to the target audience in that a majority of the codes that are internal are targeted at management and employees. Codes that are classified as external are those that also speak to outside groups and are often targeted at a range of stakeholders. Third-party codes are those written by an outside group to which the company becomes a member or signatory. In all cases third-party codes are targeted at the corporations for use in their operations. However, to be useful, the target audience of third-party codes was not listed as the corporation themselves, but who the target audience would be once the corporation was using the code. Therefore, the target audience of the OECD

Guidelines for Multinational Enterprises was listed as stakeholders because it was intended that once in use by the corporation, the code would focus on a variety of groups inside and outside the corporation.

Three distinctive tones for codes were also identified: punitive, principles, and commitments, based on the language used and the appearance of sanctions or threat of sanctions for noncompliance. *Punitive* codes are those that may incorporate sanctions or the threat of sanction in the text. Punitive codes also use such language as "shall," "will," "required," "shall not," and "not permitted." Often these codes take on a quasi-legal role within the company for control of employee or management behavior, as one of the tools for compliance and/or ensuring consistency across all operations. *Principles* codes are those that state the intention to engage in CSR, typically with certain stakeholders, but the statements are broad with little or no indication of how or why they intend to engage in this way. *Commitment* codes are those that indicate the corporation's intention to engage in CSR but statements are more specific, commitments are more formalized, and sometimes intended actions or behaviors are associated with the statements.

Information on codes and on other CSR signalers is presented for each country. It is important to note that all signalers must be found on the Web because otherwise we would not know of their existence, and each company presenting a signaler must therefore have some part of their Web site devoted to CSR signalers. Therefore, no information is provided on Web sites in general as there is the assumption that every company with a signaler has at least a page devoted to CSR issues. However, some corporations used their Web sites as more than a tool for presenting a report or a policy on CSR philosophy or practices. These Web sites provided volumes of information on what CSR activities they were involved in, how they were engaging with stakeholders, and the results of these activities. In these cases, the Web site was deemed to be more than a vehicle for presenting other signalers such that it became its own signaler of CSR engagement. For instance, if a Web site had a page providing a few paragraphs describing a CSR report or policy and then a link to that document, the Web site was not considered to be a signaler itself. If the Web site also contained substantive information on other CSR policies, reports, or activities, including other dedicated CSR pages, the Web site was considered a signaler itself and was coded along with all other signalers present. Also, information is not presented on the tone of the signaler since they are almost always a *commitments*-based signal and therefore do not add anything meaningful to the comparison.

Overall Results of the Three Countries

A wealth of data was collected on codes and CSR signalers. A detailed description of these findings will not therefore be given, but a brief description of what the results mean for each country will be provided followed by comparisons between the countries. More detailed results on codes and CSR signalers for each country can be found in Appendix B.

Characteristics of Canadian Corporations in Sample

The corporations in the Canadian sample were more likely to have internal codes (54 percent), focused at management and employees (36 percent) and on workplace issues (37 percent), punitive in tone (35 percent) and used to guide behavior (19 percent), than any other combination of code traits. This would indicate companies in the Canadian sample are more concerned with controlling or influencing employee behavior to ensure it is in line with formalized corporate objectives and/or values. In essence, the focus is to control the actions of management and employees likely in an effort to protect the company from rogue employees. It is interesting to note that although these characteristics are prominent, these codes are still for the most part put in whole or in part on corporate Web sites, indicating some desire by the corporation to show the code is in use.

The next most prominent set of code characteristics found in Canada are those meant to communicate outward to stakeholders (15 percent) or suppliers (15 percent), where the codes focus more on commitments (42 percent), not punitive statements, and on a variety of issues including a full range of triple bottom-line issues (19 percent).

Canadian corporations appear to make CSR signalers slightly more prominent on corporate Web sites (average 2.4 portals) than they do codes (average 2.69). It may be that the majority of codes focus on influencing employee behavior and as such did not feature prominently as they are not used as external stakeholder communications tools. Seven of these signalers were mandatory, as Canadian banks are required by the Bank Act of Canada 1991 to ". . . annually publish a statement describing the contribution of the bank and its prescribed affiliates to the Canadian economy and society" (Canadian Legal Information Institute, 2004, p. 1). As such, many banks expand on the required contents of the Public Accountability Statement and call it a CSR report with the Public Accountability Statement found within. However, CSR signalers were identified as much more significant overall (85 percent medium or high significance) than the codes (69 percent medium or high significance). The primary focus of codes and CSR signalers was quite different, with codes focusing more on workplace issues and signalers focusing on donations, the environment, and employee participation in communities. In over half of the cases, no reason was given for signalers, although in approximately 75 percent of cases, a reason was given for codes. Interestingly, as these codes are focused more on management and employees, it would seem there is a need or desire for Canadian corporations to create buy-in or shape behavior of their employees.

Characteristics of UK Corporations in Sample

It would seem that UK corporations place more emphasis on the importance of codes as communication tools with internal and external stakeholders. All 25 companies selected for the sample are public limited companies (PLCs), meaning they are listed on the London Stock Exchange (LSE). Any company wishing to list on the LSE must either comply with the Combined Code (the Code on Corporate Governance and Code of Best Practice) or provide justifications for noncompliance. Both codes that create the Combined Code deal with issues of corporate governance and form part of the UK Listing Authority's Listing Rules required by the LSE. Every year, listed corporations must make a disclosure statement on the application of the principles and of compliance (or noncompliance with justifications) with the provisions of good governance set out in the Code (Financial Services Authority, 2003). Therefore, each of the 25 companies in the UK sample made a commitment to the Combined Code. The Combined Code is an internal, punitive, mandatory code with overall low significance, the text of which is typically not found on corporate Web sites. It would seem that some combination of factors to do with the Combined Code—such as it being focused internally, punitive in tone, and mandatory—has some relationship to it being of low significance on corporate Web sites.

Once the 25 mandatory Combined Code references are removed, there is a balance between the importance of communicating to external stakeholders with other third-party (18) or external codes (18) and in ensuring self-regulation of employees, management, and senior executives (24). The problem with comparing UK company codes results from 67 percent not being available on the Web site, and scant information available otherwise on company-created codes. Although other statements made about the codes, or knowledge of the content of third-party codes, allow for identification of certain code characteristics, a complete picture of each code cannot be created. Also, although 30 of the 81 codes cited are mandatory, 60 of the 81 were hard to find and of low significance. It would seem that having or being a signatory to a code is not considered important enough to feature highly on corporate Web sites in the United Kingdom. And yet there are approximately the same numbers of codes focused on communicating to stakeholders as there are to influencing employee behavior.

CSR signalers, however, feature relatively prominently on Web sites (average 2.35 portals) compared to codes (average 3.32 portals) and are of considerably higher significance than codes. CSR signalers were of medium to high significance in over 96 percent of cases, whereas codes were of medium or high significance in over 25 percent of cases. What is interesting about this relationship is that with the 25 Combined Code cases removed from the UK sample, both CSR signalers and codes focus primarily on triple bottom-line/ sustainability issues with a balance between the proportion of commitment and punitive codes, and yet the codes are still mainly of low significance.

Characteristics of German Corporations in Sample

Sixteen of the 41 codes in the German sample were responses from sixteen different companies to the German Code of Corporate Governance. It would appear that this code is required of all companies except those owned by the state (such as some banks) (Baums, 2001). It is important to note that of the eight companies that did not have a code on their Web site, all were banks owned in part by the state and in part by other banks.[1] It is possible that concerns over corporate governance in Germany do not extend to these banks, but do seem to apply to other privately owned banks. Therefore, these state-influenced banks in Germany would tend to have a completely different CSR profile than other companies due to regulatory requirements.

The German Corporate Governance Code is a third-party punitive code targeted at senior executives/management dealing with corporate governance issues such as the structure of the board of directors. The purpose of the code, according to the Justice Minister in Germany, was for German corporations to ". . . propose a code which contains nationally and internationally recognized standards of good and responsible corporate governance and presents the German corporate governance system in a form which also makes it transparent to foreign investors" (Government Commission on German Corporate Governance Code, 2003, p. 2).

If the 16 instances of the German Corporate Governance Code were removed from the sample, the results would suggest that German companies are concerned with a blend of stakeholder communication and self-regulation. The largest proportion of code type would then be internal (41 percent), focus equally on stakeholders and management and employees (9 or 22 percent each), and yet be written as principles (13 or 32 percent), voluntary (25 or 61 percent), and focus on triple bottom-line or sustainability issues. In essence, German corporations tend to focus on stakeholder communication but with their internal stakeholders as potentially more important target groups than external stakeholders. Also, German corporations provide the majority (76 percent) of the code documents on the Web, suggesting higher levels or transparency, or the desire to be seen as more transparent.

In terms of significance, German corporations appear to see CSR signalers and codes as relatively similar in content (triple bottom-line/sustainability issues), both as important to each company (15 companies with signalers and with codes), and both with overall

1. For each country, efforts were made to ensure sample companies were not wholly or majority owned by a government body. In the case of Canada and the United Kingdom, a maximum of 30 percent state ownership was allowed but was increased to 50 percent for German companies. This was done because the level of state ownership of corporations in Germany is much higher than in Canada or the United Kingdom and we did not want to select against something that is characteristic of German corporations. However, the eight banks mentioned in the sample had up to 50 percent state ownership, and this ownership seemed to be a factor in not providing evidence of compliance with the German Corporate Governance Code.

low-medium significance. However, CSR signalers rated slightly higher in overall significance as six were of high significance.

COUNTRIES IN COMPARISON

As shown in Figure 1, UK companies presented information on far more codes (81) than did either Germany (41) or Canada (26). UK corporations also presented more CSR signalers (60) overall, but this was closer in proportion to the number of signalers found in Canada (48) and Germany (37). For a list of third-party codes mentioned, see Appendix C. Overall, it would appear that CSR signalers are considered relatively more important for corporations to present than codes. This distinction may be exaggerated due to the fact that the study was Web-based and companies with a distinct Web site for CSR information were scored as having an additional CSR signaler, which was the case in 40 percent for Canada, 33 percent for the United Kingdom, and 18 percent for Germany.

All countries had some mandatory codes (shown in Figure 1), but four Canadian companies created their own corporate codes on privacy issues mimicking the new federal privacy legislation that came into effect on January 1, 2004, for private enterprise. As such, these codes reflect the companies' legal requirements surrounding privacy and proper handling of personal customer information and were considered mandatory codes because to break them would be to break the law. Why these Canadian corporations have decided to create these codes is uncertain, except that two of the four

FIGURE 1 Codes and Signalers per Country

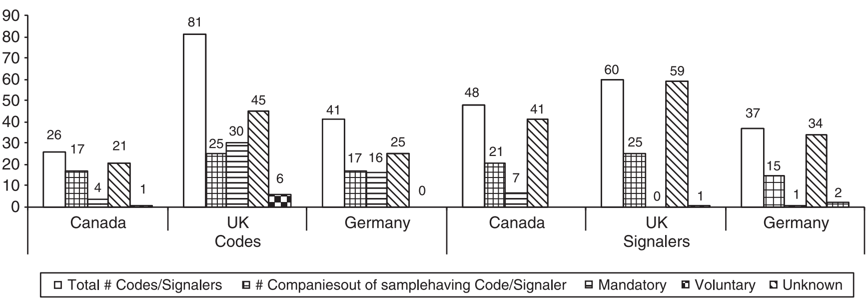
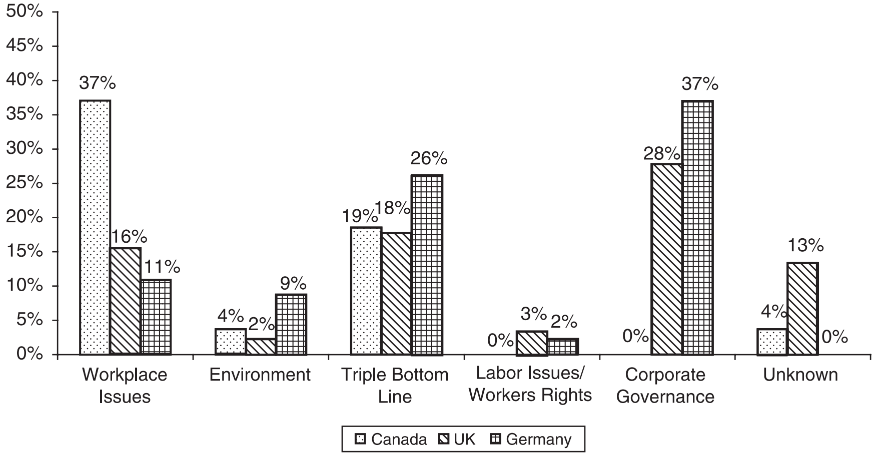


FIGURE 2 Top 5 Overall Code Focus in More Than One Country



mentioned going beyond the legislation in their attempts to handle customer information securely and privately.

Figure 2 shows that whereas both UK and German companies had mandatory codes focusing on corporate governance, no such requirements were in place for Canadian companies. However, Canadian companies were the only ones required to have CSR signalers with the exception of one CSR signaler requirement in Germany. This lone German CSR signaler is an anti-money-laundering certificate that is required by the U.S. Patriot Act in order for the corporation to work as a financial institution in the United States. Although anti-money-laundering legislation has been in place in Germany since 1992, the corporation was required to have the certification and apply it to all its subsidiaries to ensure permission to operate in the United States.

Figure 2 also shows that Canadian companies are more likely to present codes focused on influencing employee behavior (workplace issues), whereas both German and UK companies are more equally balanced between third-party and internal codes that focus on internal control/self-regulation and stakeholder communication. UK and Canadian companies are more likely to present external codes, whereas German companies did not present any.

With the exception of corporate governance, Canadian companies generally have codes focused on issues similar to and in similar proportion to UK companies, who in turn share a focus on corporate governance with Germany. After corporate governance is removed, the United Kingdom and Canada share a focus on workplace issues, whereas the United Kingdom and Germany share a focus on triple bottom-line/sustainability issues. The next most popular issue mentioned by all countries is the environment but in relatively low proportions. UK companies listed far more issues, including much greater variety, including health and safety, fair dealing with suppliers, and bribery and corruption. Interestingly, the additional issues listed by German companies tend toward more quasi-legal or directly related operational considerations such as ethical conduct and corporate identity/market position.

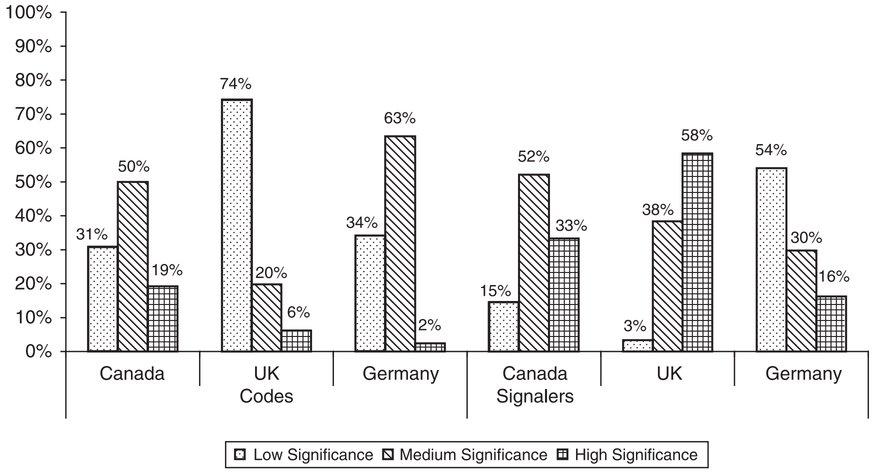
UK and German companies present CSR signalers focusing on triple bottom-line/sustainability issues, whereas Canadian signalers focus on donations. The environment was the next most prominent focus for all countries.

Codes based on commitments are relatively more important in both Canada (42 percent) and the United Kingdom (21 percent), whereas Germany has a much higher proportion of principle-based codes (32 percent). All three countries primarily use reports, policies, and distinct Web sites as a way of signaling CSR, with Germany also using sets of principles to round out the information available on CSR philosophy and commitments.

Both Canadian and German companies displayed the majority of codes mentioned online, whereas UK corporations did not. Also, Figure 3 shows the majority of codes in the United Kingdom were of low significance, whereas in Canada and Germany, they were more likely to be of medium significance. The United Kingdom was the only country where the significance of CSR signalers was proportionally high (58 percent), although in general the overall significance of CSR signalers was higher in all three countries than the codes.

What, if any, difference exists between the reasons companies in different countries give for adopting codes and CSR signalers? The only reasons used by corporations in all three countries are codes as a guide for employee behavior, used to communicate principles/commitments to stakeholders, and to protect/enhance reputation.

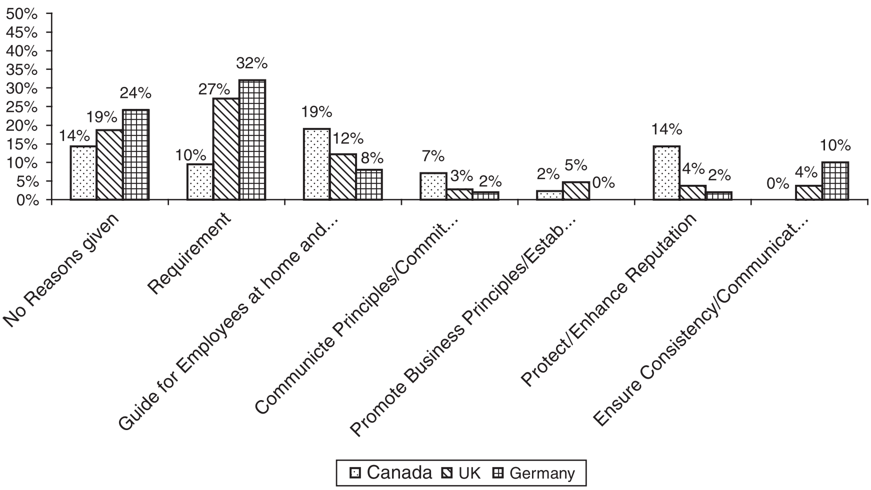
FIGURE 3 % Significance of Codes and CSR Signalers by Country



These findings would seem to support the opinions provided in current code literature. Yet, virtually all other reasons mentioned share no connection among countries, nor are they frequently mentioned. These reasons are in some cases mentioned in the literature, but the subtle differences in the statements lead to some interesting hypotheses on the use of codes within corporations and the desire to present codes as being used in a particular way in corporations. Unfortunately, conclusions on these findings are outside the scope of this paper and will not be discussed.

Figure 4 shows that Canadian reasons for code adoption generally appear more focused on formalizing expectations and influencing behavior, with a few reasons indicating desire for recognition of CSR performance. UK companies indicate a wide variety of reasons seemingly more focused on CSR integration into culture, communicating with external stakeholders, and providing evidence of polices, commitments, performance, etc. German corporations list a higher proportion of operational reasons for using codes, such as codes as a strategic basis for the company, formalizing behavior, and as a way of helping create new industry standards as a way of fending off additional legislation.

FIGURE 4 Top 5 Reasons Overall for Code Adoption



National Embeddedness?

Geppert et al. (2003) suggest that globalization will cause the convergence of distinct national business systems into something similar to the Anglo-Saxon model because national culture and institutions are no longer significant. Therefore, the shareholder model will reign supreme, possibly at the expense of the stakeholder model.

Hollingsworth (1998) suggests that the formation of a global business system will not emerge because corporations as national institutions of economic coordination are inherently embedded in their culture and their success depends on remaining a part of this network of national institutions. Thus, there will be no convergence of business institutions into the Anglo-Saxon model, or into something new and unique at a global level.

Our findings indicate that Hollingsworth's theory may be more in evidence, with corporations in different countries all utilizing CSR codes and signalers in their own unique way, with the exception of Germany, where the findings are unclear.

Code characteristics identified for UK corporations would seem to indicate agreement with the Anglo-Saxon model of economic coordination (Lane, 1989, 1992, 1994, 2000, 2001; Sorge and Warner, 1986). All codes were entered into voluntarily or as a requirement for listing on the LSE. UK companies listed far more codes than Canada or Germany, potentially indicating the importance of self-regulation in a model that encourages governments to decrease their role and influence over corporations. Also, the low significance of the codes would indicate CSR issues are less important than operational issues, as they were harder to find, not included on the Web sites, and required more portals to find. Therefore, Web sites focused more on financial performance for shareholders, product quality, product price and overall market performance. A focus on shareholder and/or financial issues is also a typical characteristic of the Anglo-Saxon business model (Ferner and Quintanilla, 1998).

Evidence quoted in Geppert et al. (2003) would indicate that the results on codes match with the "typical" characteristics of a German company, such as long-term focus, family ownership, late internationalization, and consensus and cooperative relations between management and labor. This agrees with comparative research conducted by Lane (1989, 1992, 1994, 2000, 2001) and Sorge and Warner (1986). These characteristics match with the internal but commitment-oriented focus on management and employees, and triple bottom-line or sustainability issues. These characteristics stress the importance of employee/firm relationships and the long-term view required in a triple bottom-line approach. The German national business system (NBS) is also characterized by the creation of dense networks and collaborative long-term relationships between suppliers, customers, and financiers (Ferner and Quintanilla, 1998, p. 715), and employees as a resource and not a cost to be minimized (Ferner and Quintanilla, 1998, p. 716). According to the Anglo-German Foundation (Donnelly et al., 2000), "[d]ebates over corporate governance reform have proliferated in the last decade, centred on the notion of internationalisation, particularly of capital markets. However, domestic political concern over corporate accountability has also been renewed through the problems of executive compensation, corporate failures, and concerns of local communities over pollution and racial and gender equality" (p. 31). Certainly the increased importance of corporate governance is obvious in the requirement of governance codes in Germany, but it is unclear whether this is motivated by internal or external country drivers. Therefore, the code characteristics found in the sample of German companies do not provide clear evidence to indicate whether there is a shift toward a more Anglo-Saxon model of economic coordination.

Canadian corporations seem to tell a different story. The characteristics of the codes used and the reasons for using them are not consistent with the Anglo-Saxon model of economic coordination; however, the information also indicates distinctiveness from the German model. Information available on Canadian political systems indicates subtle but significant differences from the United States (Lipset, 1990a and 1990b) and in specific cases with other European countries (Belanger et al., 1999). So where do they fit? It is possible that a high level of social capital exists in Canadian culture, and because they are less concerned with external pressures due to higher trust relationships with external groups, corporations aim to make sure employees fall in line with expected corporate behaviors to ensure this reputation and trust are maintained. It is also possible that Canadian corporations are far behind their UK and German counterparts in focusing on more single-issue codes and superficial level CSR activities such as donations. Lastly, it is also possible that Canadian corporations do not see the need and/or are not pressured to have the same levels of regulation, and, in the case of government decline, self-regulation as the United Kingdom or Germany.

The industry-specific approach discussed by Casson and Lundan (1999) may provide a better understanding of the differences in code selection and use in the companies in the sample. The industry-specific approach states that differences in NBSs are a result of different compositions of industries found within the countries (p. 27), and may provide more evidence to understand the characteristics found within the codes of Canada, Germany, and the United Kingdom.

Another possibility is that corporations use codes as a form of "symbolic politics" to merely signal their importance of CSR goals but with no intention of implementing these commitments as they are indicated in the codes (Matten, 2003). Therefore, it is possible that codes are created as a symbolic signaler of CSR activity to appease civil society and government concerns similarly to the way governments create symbolic legislation to threaten companies into certain behaviors (Matten, 2003).

CONCLUSIONS

These findings raise important questions about comparative corporate self-regulation. First, they raise the possibility that Canada may not be a part of the Anglo-Saxon business model as first suspected, but may in fact be a separate, distinct model. It is possible that Canada and similar Common Wealth countries like Australia may have more in common in terms of national business systems, requiring another model to explain these differences.

Our findings suggest that Canada is somewhere in between the Anglo-Saxon and German NBS model and yet not a combination of the two. Canadian companies do not see it all that important to provide codes of conduct (or a reference to them) on their Web sites, suggesting the relative lack of importance they may have. It is possible this has to do with how Canadian companies use the Internet to communicate and who they are trying to communicate to. However, the 25 companies on all the country lists were the largest turnover multinationals in the country of origin, therefore theoretically facing the same kinds of stakeholder pressures and risks from relatively high visibility and risk exposure in home and host cultures. Thus, it is possible that Canadian companies do not feel it as necessary to formalize their conduct on CSR issues since there is a higher level of social capital that says external groups believe the companies will act ethically and in the best interests of more than themselves when conducting operations. At this point, this hypothesis is pure conjecture since there is little information on Canadian business systems, which makes it difficult to make a meaningful comparison with other countries in this regard.

The research also points to the fact that UK companies may be using CSR codes for competitive advantage. UK companies used a wide variety of reasons, seemingly with little or no consistency as to why they were being used, whereas companies from Canada and Germany seemed to have more of a consistent view of code use within their own nations. This might suggest that corporations in the United Kingdom have, or attempt to have, a distinct reason for using codes as a way of differentiating themselves in a marketplace already flooded with codes. It is also interesting to note that UK corporations tended to bury their codes further into the depths of their Web sites, leading one to question how transparent and important these codes are actually meant to be. Therefore, are they using codes to differentiate themselves or are there other reasons, such as "green washing" or do they believe that tools such as reports, policies, Web sites, and so forth are a better way of engaging in CSR?

The study showed contradictory evidence as to whether Germany is moving toward a more Anglo-Saxon model of economic organization, as 16 of the 25 companies were in compliance with the German Corporate Governance Code. However, the commitment-driven codes focused at internal or directly impacted external stakeholders show the tradition of codetermination and relationship building in Germany and the strength these philosophies and institutions still have when applied to codes.

Germany also appeared to be the only country whose companies were utilizing the idea of sustainable development (SD) consistently and accurately. Most of us would agree that CSR and SD are two slightly different concepts in that CSR is how corporations achieve SD and CSR includes the three pillars of SD—social, environment, and economic issues. Germany was the only country where these distinctions were clearly understood in a consistent fashion and utilized properly on the Web sites. It is not reasonable to suggest that it is a lack of understanding on the part of the IT department or Web designers, as they do not create the text on the sites. German companies also seemed to be more concerned with using codes for operational and strategic reasons than other countries. It is not to say that the reasons for code adoption by German companies were primarily based on operations or strategy, but they were the only nationality to openly indicate strategic or operational reasons for using codes. This may indicate that German corporations have gone further to embed CSR within the culture of their organizations.

Lastly, the research suggests that codes may be used primarily for self-regulation, and not necessarily for CSR. As we are all well aware, CSR is what happens beyond legal compliance, and if corporations are using codes to regulate the behavior of their employees or suppliers, the codes may therefore operate as a type of quasi-legal document. This means they may have less to do with governance of CSR issues and more with regulating the behavior of groups influential to the corporation. In other words, codes of conduct, as they are currently used, may in fact represent more of a desire to control the actions of groups within and outside the corporation for risk management purposes and not an attempt to become more environmentally, economically and socially responsible.

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APPENDIX A—LIST OF COMPANIES IN PHASE ONE OF STUDY

Canada:

- ☐ Bombardier Inc.
- ☐ Royal Bank of Canada
- ☐ Sun Life Financial Services of Canada
- ☐ Onex Corp.
- ☐ Magna International Inc.
- ☐ BCE Inc.
- ☐ Alcan Inc.
- ☐ Power Corp. of Canada
- ☐ The Bank of Nova Scotia
- ☐ Canadian Imperial Bank of Commerce
- ☐ The Toronto-Dominion Bank
- ☐ Nortel Networks Corp.
- ☐ Manulife Financial Corp.
- ☐ Bank of Montreal
- ☐ Quebecor Inc.
- ☐ Petro-Canada
- ☐ Air Canada
- ☐ Fairfax Financial Holdings
- ☐ McCain Foods Ltd.
- ☐ Noranda Inc.
- ☐ The Jim Pattison Group
- ☐ Maple Leaf Foods Inc.
- ☐ Nova Chemicals
- ☐ Brascan Corp.
- ☐ Talisman Energy Inc.

United Kingdom:

- ☐ BP PLC
- ☐ Vodafone Group PLC
- ☐ Tesco PLC
- ☐ Glaxosmithkline PLC
- ☐ BT Group PLC
- ☐ WPP Group PLC
- ☐ Centrica PLC
- ☐ Kingfisher PLC
- ☐ Compass Group PLC
- ☐ British American Tobacco PLC
- ☐ Anglo American PLC

- ☐ National Grid Transco PLC
- ☐ Royal Mail Holdings PLC
- ☐ Marks and Spencer Group PLC
- ☐ BAE Systems PLC
- ☐ Wolseley PLC
- ☐ British Airways PLC
- ☐ GUS PLC
- ☐ Aegis Group PLC
- ☐ Imperial Chemical Industries PLC
- ☐ Rolls-Royce PLC
- ☐ Hilton Group PLC
- ☐ Boots Group PLC
- ☐ Cadbury Schweppes PLC
- ☐ The Big Food Group PLC

Germany:

- ☐ Deutsche Bank AG
- ☐ Bayerische Hypo- und Vereinsbank AG
- ☐ Commerzbank AG
- ☐ Landesbank Nordrhein-Westfalen
- ☐ Bayerische Landesbank
- ☐ DZ Bank AG Deutsche Zentral-Genossenschaftsbank
- ☐ Eurohypo AG
- ☐ Norddeutsche Landesbank -Girozentrale-
- ☐ Landesbank Hessen-Thüringen Girozentralle
- ☐ DekaBank Deutsche Girozentrale
- ☐ Volkswagen AG
- ☐ Allianz Group
- ☐ Allgemeine Hypothekenbank Rheinboden AG
- ☐ Hypo Real Estate AG
- ☐ Siemens AG
- ☐ Hypothekenbank in Essen AG
- ☐ Landesbank Rheinland-Pfalz Girozentrale
- ☐ WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG
- ☐ Deutsche Telekom AG
- ☐ Metro AG
- ☐ RWE AG
- ☐ BMW AG
- ☐ Münchener Rückversicherungs-Gesellschaft AG
- ☐ Deutsche Post AG
- ☐ Aareal Bank AG

APPENDIX B—SUMMARY OF PHASE ONE WEB SITE DATA

TABLE 1 CSR Codes by Country

Comparisons	Canada		UK		Germany	
Average Turnover	1.38E+10		1.48E+10		1.79E+11	
Average # Employees	36,236		84,806		94,957	
General Code Information		%		%		%
# Companies in Sample	25		25		25	
# Codes	26		81		41	
# Companies Out of Sample Having Code	17	65%	25	100%	17	65%
Average # Codes per Company (That Have Codes)	1.53		3.24		2.41	
Average # Codes per Company in Sample	1.04		3.24		1.64	
Average # Portals	2.69		3.32		3.17	
Type of Code						
# Internal	14	53.85%	18	22.22%	17	41.46%
# External	6	23.08%	12	14.81%	0	0.00%
# Third Party	4	15.38%	43	53.09%	24	58.54%
# Both Internal and External	1	3.85%	6	7.41%	0	0.00%
# Unknown	1	3.85%	2	2.47%	0	0.00%
Tone of Code						
Punitive	9	34.62%	40	49.38%	22	53.66%
Principles	4	15.38%	8	9.88%	13	31.71%
Commitments	11	42.31%	17	20.99%	3	7.32%
Unknown	2	7.69%	16	19.75%	3	7.32%

TABLE 1 Continued

Comparisons	Canada		UK		Germany	
Is the Code Mandatory?						
Mandatory	4	15.38%	30	37.04%	16	39.02%
Voluntary	21	80.77%	45	55.56%	25	60.98%
Unknown	1	3.85%	6	7.41%	0	0.00%
Measures of Significance						
Doc on Web?	21	80.77%	27	33.33%	31	75.61%
Doc not on Web?	5	19.23%	54	66.67%	10	24.39%
Unknown	0	0.00%	0	0.00%	0	0.00%
Easy to Find	17	65.38%	21	25.93%	28	68.29%
Not Easy to Find	9	34.62%	60	74.07%	13	31.71%
Overall Significance						
Low Significance	8	30.77%	60	74.07%	14	34.15%
Medium Significance	13	50.00%	16	19.75%	26	63.41%
High Significance	5	19.23%	5	6.17%	1	2.44%
% High Significance	19%		6%		3%	
Portals						
First Portal	3	11.54%	4	4.94%	0	0.00%
Second Portal	6	23.08%	14	17.28%	7	17.07%
Third Portal	13	50.00%	28	34.57%	25	60.98%
Fourth Portal	4	15.38%	23	28.40%	4	9.76%
Fifth Portal	0	0.00%	11	13.58%	5	12.20%
Sixth Portal	0	0.00%	1	1.23%	0	0.00%

TABLE 2 CSR Signalers by Country

Comparisons	Canada		UK		Germany	
Average Turnover	1.38E+10		1.48E+10		1.79E+11	
Average # Employees	36,236		84,806		94,957	
General Signaler Information						
# Companies in Sample	25		25		25	
# Signalers	48		60		37	
# Companies Out of Sample Having Signaler	21	84%	25	100%	14	56%
Average # Signalers per Company (That Have Signalers)	2.29		2.4		2.64	
Average # Signalers per Company in Sample	1.92		2.4		1.48	
Average # Portals	2.4		2.35		2.68	
Type of Signaler						
Report	13	27.08%	20	33.33%	12	32.43%
Policy	16	33.33%	16	26.67%	9	24.32%
Principles	0	0.00%	1	1.67%	6	16.22%
Web Site	19	39.58%	20	33.33%	8	21.62%
Information	0	0.00%	2	3.33%	0	0.00%
Links	0	0.00%	1	1.67%	1	2.70%
Unknown	0	0.00%	0	0.00%	1	2.70%
Is the Signaler Mandatory?						
Mandatory	7	14.58%	0	0.00%	1	2.70%
Voluntary	41	85.42%	59	98.33%	34	91.89%
Unknown	0	0.00%	1	1.67%	2	5.41%
Measures of Significance						
Easy to Find	46	95.83%	55	91.67%	34	91.89%
Not Easy to Find	2	4.17%	5	8.33%	3	8.11%

TABLE 2 Continued

Comparisons	Canada		UK		Germany	
Overall Significance						
Low Significance	7	14.58%	2	3.33%	20	54.05%
Medium Significance	25	52.08%	23	38.33%	11	29.73%
High Significance	16	33.33%	35	58.33%	6	16.22%
% High Significance	33%		58%		16%	
Portals						
First Portal	9	18.75%	14	23.33%	3	8.11%
Second Portal	22	45.83%	23	38.33%	13	35.14%
Third Portal	8	16.67%	12	20.00%	16	43.24%
Fourth Portal	4	8.33%	10	16.67%	3	8.11%
Fifth Portal	4	8.33%	1	1.67%	2	5.41%
Sixth Portal	0	0.00%	0	0.00%	0	0.00%
Unknown	1	2.08%	0	0.00%	0	0.00%

APPENDIX C—THIRD-PARTY CODES USED BY SAMPLE COMPANIES

Canadian-Specific Codes:

International Code of Ethics for Canadian Business

UK-Specific Codes:

UK Combined Code (governance)

DTI's Better Payment Practice Code—replaced CBI Prompt Payment code (payment of suppliers)

DTI Supermarket Code (fair trade practices of big 4 supermarket with suppliers)

UK Gas Transporters' License and Network Code

UK Government's Code of Practice on corporate procedures for export controls

Continuous Descent Approach (CDA) Code of Practice (noise, emission, etc. limits for airline industry)

Statement by Banks on the Environment and Sustainable Development

Social Responsibility and Good Practice Code (industry code for betting shops)

German-Specific Codes:

German Corporate Governance Code (governance)

Wolfsberg Principles (Anti-Money Laundering Principles and Statement on the Financing of Terrorism)

International Codes:

UN Global Compact

Responsible Care (chemical industry triple bottom line considerations)

OECD Guidelines for Multinational Enterprises

Ethical Trading Initiative Base Code

OECD Anti-Bribery Convention

2000 International Labour Organization Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy