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Krista Bondy, Dirk Matten and Jeremy Moon

Abstract

The literature on Codes of Conduct and Corporate Social Responsibility (CSR) assumes that codes are used primarily as a tool for CSR. Our paper questions this assumption and suggests that codes are not primarily tools for CSR but tools of corporate governance more generally. The data gathered from corporate websites including articulated motivations for code use and code characteristics indicate that corporations use codes as a tool of corporate governance (which may include CSR). Our research casts doubts on the common assumption that codes of conduct in MNCs are primarily a tool of CSR and rather suggest that codes, once adopted, are used as mainly internal tools of corporate governance and employee compliance.

Key Words: code of conduct, corporate social responsibility, corporate governance, MNCs.

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Introduction

The focus of this paper is to determine whether the implicit assumption that codes are primarily a tool for CSR (corporate social responsibility) is accurate. This analysis is based on an investigation of how MNCs define and use codes compared to other CSR tools. We selected the top 50 revenue generating MNCs in 2002 from the UK, Canada and Germany, for a total of 150 companies under investigation.

In the CSR literature, codes of conduct are variably described and defined but have common elements, such as being self-regulatory or voluntary in nature, used to influence behaviour of a specified group or groups, and/ or to define intentions/ actions on a certain group of issues or to a certain group of individuals, sometimes from a market-based perspective (Kolk, van Tulder and Welters, 1999; Kaptein and Wempe, 2002; United States Council for International Business, 2000; ILO, n.d.a; ILO, n.d.b; Forcese, 1997; Alexander, 1997; Dickerson and Hagan, 1998; OECD, 2001; Diller, 1999).

In this literature, an implicit relationship exists between codes and CSR that is well illustrated by the United States Council for International Business (USCIB) where the corporate responsibility section on their website has a recent 'position/ statement document' on codes of conduct, where codes are defined as '...commitments voluntarily made by companies, associations, or other organizations that put forth standards and principles of business conduct in the marketplace, and are thus primarily market-driven' (2000, p.2). Although the document discusses a number of CSR issues such as environmental protection, human rights, and provides a summary of initiatives such as the US Model Business Principles, UN Global Compact, UN Guidelines for Corporate Social Responsibility and the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, nowhere does it explicitly suggest or question the notion that codes are primarily a tool for CSR and not used more generally for organizational imperatives. Similarly, authors such as Diller (1999), Forcese (1997), Alexander (1997), Australian Government (n.d.) and the ILO (n.d.a. and n.d.b.) define codes without any reference to their link with CSR, although the documents are devoted to discussing codes and CSR related issues.

In some cases, this primarily implicit relationship between codes and CSR is made explicit such as with Kolk, van Tulder and Welters (1999) who define codes of conduct as '...encompass[ing] guidelines, recommendations or rules issued by entities within society (adopting body or actor) with the intent to affect the behaviour of (international) business entities (target) within society in order to enhance corporate responsibility' (p.151). Other authors indicating a more explicit relationship between codes and CSR include Dickerson and Hagen (1998) and OECD (2001). As we will see later, Kolk, van Tulder and Welters

(1999) make an important distinction between these 'international' codes and internal codes of conduct '...which consist of guidelines for staff on how to behave when confronted with dilemmas such as conflict of interest, gifts, theft, insider trading, pay-offs and bribery' (p.150), arguing that the internal codes do not address the business-society relationship.

CSR has been variously defined according either to types of responsibility (e.g. Carroll, 1977), or to underlying motivations/ mechanisms for responsibility (e.g. Donaldson and Preston, 1995) Sometimes, CSR is defined by what it is not, such as not required by government or law, and as outside shareholders interests of financial profit (e.g. McWilliams and Siegel, 2001). Moreover, CSR overlaps with such other concepts as business ethics, sustainability, corporate citizenship etc., and its empirics tend to reflect firm-specific considerations. For the purpose of our study we refer to CSR as all voluntary activities of a corporations with the goal of fulfilling societal expectations on the corporation.

The few comparative studies available on codes and/ or CSR indicate that there are persistent differences in the content of codes (e.g. Langlois and Schlegelmilch, 1990 and van Tulder and Kolk, 2001), in the principles motivating CSR (e.g. Maignan and Ralston, 2002), and in the implementation of code commitments (e.g. Frenkel, 2001) based on national characteristics. While some authors discuss the need for a set of best practices with regard to CSR philosophy and activities, there are few, if any, studies looking specifically at the convergence of corporate codes of conduct, although Demirag and Solomon (2003) suggest that although convergence of codes is uncertain, it may be limited by variations in corporate law structure. Reid (2003) suggests that by their very nature, codes are one of the factors encouraging corporate governance convergence at a global level. Wilson and Lombardi (2001) and Culpeper and Whiteman (1998) argue that globalization and its impacts on all sectors has been one of the major causes for the resurgence of CSR in the 1990s. Therefore, paradoxically, globalization is not only a factor undermining traditional national bases for regulation, but also a potential driver for developing and linking CSR and codes: a form of global corporate self-regulation (Chapple et al forthcoming).

Due to nature of the code and CSR literature, it is easy to forgive readers for thinking codes are primarily a tool for CSR and thus are part of the same phenomenon. However, this paper questions the assumed link between the two and asks whether codes are used in large part for governing CSR issues, or whether they are a tool of governance more generally and thus are used to govern organizational imperatives, which may include CSR.

The remainder of this paper will examine literature on codes and CSR; present empirical evidence to suggest that codes are not primarily a tool of CSR but of organisational imperatives as presented by corporations;

and suggest that to effectively understand the complexity of codes and CSR within MNCs, an integrated theoretical approach is needed.

Motivations for Adopting Codes in the Literature

To explore this link between CSR and codes, we first examined why corporations adopt codes as explained in the literature. Although it is commonly understood that codes are used either for self-regulation or for communication, we in fact found four different groups of motivations for code adoption mentioned in the literature; stakeholder regulation, stakeholder communication, competitive advantage and mitigation of risks and/ or threats.

Stakeholder Regulation

Stakeholder regulation motives are based on using codes as a way of guiding or controlling employee and/ or other stakeholder (such as supplier) behaviour as it relates to day-to-day operational concerns and/ or stakeholder groups (Aronson and Reeves, 2002; Kolk, van Tulder and Welters, 1999; Rezaee, Elmore and Szendi 2001). This includes the desire of corporations to formalize their values, philosophies or commitments as a way of encouraging buy-in to the code and protecting the corporation from rogue employees by using the code as part of the employment contract. This group also includes third party codes written by a wide variety of stakeholder groups such as NGOs, governments, business associations etc., so as to guide or influence the behaviour of the corporation (Kolk, van Tulder and Welters, 1999). Not all of the motives for self-regulation focus on influencing the behaviour of others or protecting the corporation. Some codes are championed by senior executives who feel a personal commitment to do the right thing (Gibson, 2000; Thompson, 2002) and formalize this in the corporate ethic using a code.

Stakeholder Communication

These deal specifically with communicating elements of corporate philosophy, activities and performance to both internal and external stakeholders, but where the code is not intended to regulate all the groups to which it communicates. Motivations in this group include a desire by corporations to ensure a continued societal license to operate (White, 1999; Kagan, Gunningham and Thornton 2003) where codes are used to formalize this commitment, to create trust, legitimacy and credibility of corporations with its stakeholder groups (Sethi, 2002), and to communicate their intentions or activities towards operating in an ethical and socially acceptable manner, while still maintaining their ability to be profitable. Here corporations emphasize how products are made

based on corporate philosophies and operating practices, which in turn can positively affect public opinion of the corporation (Wotruba, 1997; Rezaee, Elmore and Szendi 2001).

Competitive Advantage

Motivations in this category are based on corporations using codes to help create a market advantage for the corporation. This includes corporations using codes to protect or enhance their already existing reputation within the marketplace (Gibson, 2000; Diller, 1999; Brereton, 2002) by articulating a triple bottom line approach to production. This puts them in a position of leader or innovator either in their own industry or with regard to CSR issues. Some codes are created to help win contracts with discerning corporations or governments, (Ruhnka and Boerstler, 1998) to exclude new competitors to the market and/ or access to new markets, (Gibson, 2000; Wotruba, 1997) or to attract potential investors. Codes can also be used to help differentiate products in the marketplace as they inform the public about the corporation's quality and modes of production. Therefore, the codes are created to provide information about the corporation with the hope these commitments will be rewarded by customers and other stakeholders when purchasing. (Lenox and Nash, 2003) Code creation is also motivated by a desire to improve relationships with customers (Diller, 1999) and other stakeholders.

Mitigation of Risks or Threats

The last major group of motivations, mitigation of risks or threats, seems to have the most emphasis in the literature. Avoiding government legislation, intervention, or pressure and reducing or preventing negative public attention are the most commonly noted motivations for corporations in adopting codes. (McInnes, 1996; Diller, 1999; Brereton, 2002; Truss, 1998; Aaronson and Reeves, 2002; Wotruba, 1997; Gibson, 2000; van Tulder and Kolk, 2001; Lenox and Nash, 2003; Cragg, 2005) Other threats or risks to mitigate include pressure from other corporations in the same industry or industry associations (Lenox and Nash, 2003), pressure from the public resulting from government failure to regulate (McInnes, 1996) and pre-empting consumer boycotts or remedy through the legal system. (Diller, 1999) Codes are also used to prove due diligence in court proceedings as a defence against legal sanction or to reduce legal penalties (Carroll and McGregor-Lowndes, 2001) or to indicate appropriate internal control systems in place to secure bank loans and reduce insurance premiums. (Brereton, 2002; Lenox and Nash, 2003; Thompson, 2002)

Although common sensical, the motivation literature was in large part not substantiated with empirical evidence (Aaronson and Reeves, 2002; Kolk, van Tulder and Welters, 1999; Diller, 1999; Sethi, 2002; and Lenox and Nash, 2003). Thus it was unclear whether the motivations found in the

literature would reflect those mentioned on corporate websites. We now turn to our empirical investigation.

Research Methodology

A sample of the top 50 revenue generating MNCs in 2002, from the UK, Canada and Germany was selected, and their websites were examined for the presence or absence of codes, where codes were present or referred to; articulated motivations for adopting codes as distinct from motivations for engaging in CSR, code characteristics (if the codes were present), and the use of other tools to signal CSR engagement. The study was Internet based for four main reasons:

1. It provides the formal, accepted viewpoint of the corporation on issues it chooses to put on its site (Chapple et al, forthcoming). This formalization in turn creates a plausible, legitimate version of the corporation and its activities for the purpose of public consumption (Coupland, 2003). Therefore, the information on the site acts as a form of image standardization of the corporation with regards to the issues it deems necessary or important to communicate publicly. This form of image standardization is not possible with surveys, interviews or case studies as each individual respondent may have a vastly different opinion on why the corporation acts as it does (Chapple et al, forthcoming).
2. Websites are typically created to provide information about the corporation to the widest range of stakeholders possible. Whether the corporation's intent is to attract potential investors, or prevent negative media attention etc., the websites generally have a range of information, allowing the researcher to get a sense of the relative importance of issues based on how the website is put together. For instance, information that sits on the home page (or the first page to appear when typing in the web address for the corporation) can be considered in some way more important for the company to communicate than information that is retrieved after various links. It can also be assumed that information with bigger font or more specialized graphics indicates some higher level of importance than information that is in small font, found at the bottom of the page and is not immediately apparent to the eye. As such, the Internet can provide the researcher with a general idea of the relative importance of issues on any given website. The whole website taken together provides a type of narrative on the corporation and how it wants to be seen by the public (Coupland, 2003).
3. There is some debate about the authenticity and reliability of empirical research in the area of business ethics (Crane, 1999). There is the risk that if given the opportunity of direct response to researchers information on ethically sensible issues might be biased. By using web based data this risk can well be avoided.
4. Cowton (1998) discusses the benefits of using secondary data in business ethics research. He indicates that secondary research is

likely to become increasingly more important as access to companies (primary data) continues to decrease. Also he states that the most important type of secondary research for business ethicists is documents created by the corporations themselves, as they are data rich in the field of interest. Research fatigue being felt by certain corporations had led them to post more information on their websites and individuals wishing to study them are often first directed to the site (Ellis, 2004).

As a result of these factors, Internet research was deemed the richest and most practical data source for the demands of the study. A pilot study was then conducted to determine whether information on corporate motivations for codes was available on corporate websites as it was already known that codes would appear in some cases, as would other tools for CSR engagement such as reports, policies, dedicated websites etc. Results indicated motivations were articulated in a minimum of 22% (in Canada) of cases where codes were mentioned. Therefore, the Internet methodology was deemed suitable for further study of this phenomenon.

Sample Corporations

Three different countries (the UK, Canada and Germany) were selected to ensure global MNC representativeness of the data collected in the study, with Canada representing a North American business model that, in contrast to the US, was of relatively similar economic size and significance, and therefore global status to both the UK and Germany. The UK and Germany representing two very well-documented and different business models within Europe. The sample was selected to maximize the spread of global business captured in the analysis and thus, represents a global view of MNCs from developed countries.

Within each of the three selected countries, a rank order list based on 2002 revenue was used to identify the top MNCs in each country due to the relationship between company size and existence of codes discussed in Langlois and Schlegelmilch (1990). The FAME database was used for the UK, the June 2003 version of the National Post FP500 business ranking for Canada, and Hoppenstedt (www.hoppenstedt.de) database for Germany. Each of the three databases were selected because they are authoritative sources on corporations found within the country. The top 50 corporations (Maignan and Ralston, 2002) from each country were identified based on nine criteria.

Corporations were selected if they:

1. Owned subsidiaries in four or more countries according to in Dunn & Bradstreet's Who Owns Whom listing for 2002/03 (2002a, 2002b, 2002c) (Langlois and Schlegelmilch, 1990),
2. Had a website with corporate information available,

3. Operated or owned subsidiaries in four or more countries,
4. Were majority owned in the respective country, or widely held with no concentration of ownership in a foreign country,
5. Originated in the country for which the list was created,
6. Were less than 30% foreign owned, and thus were not foreign affiliates contrary to the first stage of the Langlois and Schlegelmilch (1990) study,
7. Were not wholly or majority owned by government (except in Germany¹),
8. Were not a subsidiary of another company on the list,
9. Did not result from a merger with a company from another country where ownership is jointly held.

Specific Data Collected

To enrich the articulated reasons corporations present for adopting codes, we also chose to collect information on the characteristics of codes and CSR signallers. referred to or presented on the sample corporation websites. CSR signallers were defined as any other tool provided on the website to indicate the corporation's intention to engage in CSR. Tools included policies, reports, separate or significant websites, specialized business programs such as supplier compliance initiatives, and general information. Therefore, available information on both codes and CSR signallers was collected according to the characteristics listed in Table I. This list of characteristics was created to provide an indication of the main features of codes/ CSR signallers being used by corporations within the UK, Canada and Germany. Both a list of sample corporations used in the study and of the multistakeholder codes found on corporate websites can be found in AUTHOR REF 2004.

¹ Criterion #7 (not wholly or majority owned by government) was modified for Germany, as an inherent part of the German business system is the active role played by banks and the state in supplying corporations with large concentrations of capital. Criterion #7 was initially created to select against Crown corporations in Canada (where the business is owned and managed by the government), as these types of businesses are not considered a typical part of the business systems in Canada. Crown corporations are the exception rather than the rule and are often seen as being poorly managed. Typically the Crown corporations are province run utility companies or other types of basic need services. Therefore, criterion #7 applies to Canada and the UK, but not to Germany.

Table I Corporate Information and Code/ CSR Signaller Characteristics Collected

Information Recorded	Criteria Names	Criteria Parameters
Corporate Information	2002 Turnover	#
	2002 Employees	#
	Primary Industry	Name of primary business activity
	Stock Market Listing	Name of stock markets where listed if mentioned
	Regulation Mentioned	Names of all regulation mentioned while conducting code and CSR signaller searches
Code/ CSR Signaller Characteristics	Code/ CSR signaller Exists	Yes/No
	Code/ CSR signaller Date	Date if mentioned
	Name of Code/ CSR signaller	Name of code/ CSR signaller as listed on website
	Style of Code/ CSR signaller	Stipulative Commitments Principles Informational Unknown
	Mandatory	Yes/No
	Target Audience	Major audiences targeted by the corporation in the code
	Code/ CSR signaller Focus	Major content focus of code
	Reasons for Adoption	Any statement on why corporation chooses to use code/ CSR signaller as distinct from reasons for engaging in CSR

Specifics of Data Collection

All instances of a code mentioned on the website were recorded regardless of type of code or author organization (e.g. corporate, industry, NGO and intergovernmental codes). Every instance of a code on a website, whether previously mentioned by a different corporation, was recorded, thus meaning that there are multiple instances of the same code within the data set. For instance, every occurrence of the OECD Guidelines was recorded, including characteristics. This duplication is important because it signifies globalization of codes and of "best practice". Therefore, the more often these global codes are used, the more we would expect to see

convergence of code characteristics to the characteristics of commonly used codes.

In some cases, codes were mentioned but the text of the code was not found on the website. In cases where corporations were referring to third party codes where information was available on other websites, the characteristics of the third party code were collected where possible. However, in other cases, codes created by the corporation were referred to but not present on the web (nor was any information given on them) and thus characteristics on them could not be collected. In these cases, the characteristic information was listed as unknown.

The group of codes collected also includes those that are both voluntary and mandatory. Codes such as the German Governance Code and the UK Combined Code are requirements for corporations who choose to list on the respective stock markets. Both codes deal with best governance practice and require yearly reporting on adherence to this best practice governance structure. Therefore, although technically the corporations have a choice whether or not be listed on the stock market in these countries, should they choose to access this kind of capital, they are required to abide by these codes. For the purpose of this study, these codes (and others such as Responsible Care for chemical companies) were considered mandatory.

For motivations, target audience and content focus, it was possible to have multiple responses for the same code or CSR signaller. In cases where more than one motivation was given or where the target audience or content focus was relatively evenly split between groups and issues, all responses were recorded.

This information was then tallied to better understand the relationship between codes and CSR.

Research Findings

Articulated Motivations for Code Adoption

Table II illustrates the ten most commonly articulated motivations corporations present on their websites for adopting codes. In 22% (85) of cases where a code was present on a sample corporation's website, no reason was given for adopting the code. Where reasons were given, the ten remaining items on Table II account for ~58% of total responses, and added to the cases of no reason given, total over 80% and thus a significant proportion of all responses.

In total, 57 different motivations were articulated by the 150 corporations in the sample, leaving the remaining 20% of responses to be fairly equally distributed over the remaining 47 motivations mentioned. The motivations listed in Table II and the other 47 motivations articulated by sample

corporations confirm opinions stated in the CSR and code literature, with one major exception, none of the corporations listed the threat of government legislation as a motive for adopting codes. Motivations based on other risks or threats were to be found on corporate websites, but they were quite rare in the sample group.

Table II Most Commonly Listed Reasons for Code Adoption

Reasons for Code Adoption	Total		Voluntary Only	
	#	% Total	#	% Total
No Reason	85	21.8	85	29.9
Requirement	106	27.2	0	0
Guide for Behaviour	43	11.0	43	15.1
Protect/ Enhance Reputation	18	4.6	18	6.3
Consistency Across Global Network/ Framework for Network	17	4.4	17	6.0
Employee, Management or Board Compliance	9	2.3	9	3.2
Supplier Compliance	9	2.3	9	3.2
Communicate Principles/ Commitments/ Governance Structures to Stakeholders	9	2.3	9	3.2
Create/ Maintain Trust and Confidence with Stakeholders	8	2.1	8	2.8
Formalize Expected Behaviours/ Commitments	7	1.8	7	2.5
Legal Compliance	6	1.5	6	2.1
Subtotal Reasons Given	317	81.3	211	74.3
Total # Reasons Given	390	100	284	100

Even when codes adopted for mandatory reasons were removed, the same ten motivations represented almost 75% of those articulated. Therefore, when corporations adopt codes voluntarily, both the reasons for adopting them and the relative proportion of instances present are similar.

What is most striking about the motivations found in Table II and the remaining 47 motivations is that they have little to do with CSR. None of the articulated motivations indicate that codes are adopted to create, pursue, or further the corporation's engagement with CSR issues. In fact, the motivations listed could more easily be seen as ways of furthering everyday organizational imperatives, of which CSR may be a part. Some

may argue that certain motivations listed in Table II are related or a direct result of corporate intentions to become more responsible such as communicating to stakeholders or creating/ maintaining trust. While these are important elements of any corporate strategy for engaging in CSR, it can easily be argued that communicating or creating and maintaining trust with stakeholders is done to ensure corporate survival in the marketplace, which in particular would cast some doubt on the voluntary nature of the activities. We will come back to this ambiguity later in the paper.

This is curious when compared with the fact that on virtually every sample corporation's website, there were references to the importance of CSR (or other terms such as sustainability, environmental protection, community development, corporate citizenship etc.) and why the corporation was engaging in becoming more responsible. It would therefore suggest that even those corporations that articulated their reasons for engaging in CSR, as well as for adoption, did not see these sets of motivations as related.

The motivation data suggests that codes are not primarily tools of CSR but are used for organizational imperatives more generally.

Characteristics of Codes

To further understand whether codes are primarily a tool of CSR, we evaluated three characteristics of the codes found on sample corporations' websites: style, target audience and content focus. Code characteristics were collected to provide richer information on the relationship between codes and CSR, and to allow for a comparison between articulated motivations for adopting codes, and the nature of the codes themselves to determine if the characteristics "matched" the motivations, thus either strengthening or weakening previous data and our conclusions of the weak link between codes and CSR.

Table III indicates the style of the code, or in other words, the basic structure, tone of language, style of content and associated management objectives, of the codes in the sample. Four distinctive styles for codes were identified: stipulative, commitments, principles and information. Stipulative codes are those where the target audience is required by the corporation to comply, where words such as "shall", "will", "required", "shall not", "not permitted" etc. are used to indicate the corporations expectations with regard to how individuals will behave on those issues. Stipulative codes may also include sanctions or the threat of sanction for non-compliance. Often these codes take on a quasi-legal role within the corporation to protect it from potentially harmful employee behaviour. Commitments based codes typically indicate a corporation's intent to engage in CSR and some indication of how they will engage. These documents list issues or groups of importance and typically give some indication how these issues or groups will be dealt with by the corporation.

Principles based codes typically indicate a corporation's overarching philosophy on CSR issues and make vague statements about intention. Typically these documents have little if any indication of how the corporation will act on the statements made. Lastly, information based codes are those that the corporation calls codes but are made up almost entirely of information on what has already been done by the corporation. They more or less report performance.

This clearly shows that of all the codes mentioned on corporate websites within the sample, almost half (47.4%) were stipulative.

Table III Style of Code

Style of Code	Total		Voluntary Only	
	#	% Total	#	% Total
Stipulative	145	47.4	50	25.1
Commitment	58	19.0	51	25.6
Principle	59	19.3	57	28.6
Information	2	0.7	2	1.0
Unknown	41	13.4	39	19.6
Total	305	100	199	100

Table IV Most Commonly Listed Target Audiences

Target Audiences	Total		Voluntary Only	
	#	% Total	#	% Total
Management and Employees	121	37.2	68	31.2
Stakeholders	72	22.2	68	31.2
Board Members/ Senior Executives	58	17.9	17	7.8
Suppliers	27	8.3	25	11.5
Customer/ Client	8	2.5	4	1.8
Unknown	17	5.2	17	7.8
Subtotal	303	93.3	199	91.3
Total	325		218	

Clearly, a majority of the mandatory codes mentioned on corporate websites were written in the stipulative style, as the Voluntary Only column in Table III shows that with the removal of the 106 mandatory codes, the remaining voluntary codes were quite evenly distributed between stipulative, commitment and principle styles. Thus, indicating that when corporations had a choice in the style of code to be used, they

created stipulative codes with the same frequency that they created either commitment or principle style codes. This suggests that corporations adopt codes (whether third party or written internally) that are primarily prescriptive in content, use negative language such as “shall not” and that are used to direct the behaviour of target audiences.

Table IV illustrates that over 90% of all codes mentioned in the sample were either targeted at five separate groups of individuals or were unknown. All but one of the five target audience groups (stakeholders) are directly involved in corporate operations, indicating that both third party and corporate written codes target groups that have direct impact on the corporation and its operations. Corporate staff is particularly targeted, comprising 55%, where suppliers and customers/ clients together represent 11% of the total sample. The only target audience to be listed with any frequency, and that did not focus exclusively on directly related groups, was the stakeholder group, representing 22% of the total sample. Inevitably, the stakeholder classification includes all other groups listed individually in Table IV but also included mention of other groups such as government, community, NGOs (although relatively rarely) and the environment (as much as it can be considered a stakeholder from some perspectives).

Data in the Voluntary Only column suggest that mandatory codes primarily targeted management and employees, and board members/ senior executives. This suggests that these mandatory third party codes are written to influence the way corporations and their staff behave, and are not concerned with influencing the behaviour of other stakeholders of the corporation. However, corporations writing their own codes target management and employees with similar frequency to stakeholders (31%), and when both staff groups are combined, represent 39% of the voluntary code sample. As targeting stakeholders more generally is typically associated with a CSR approach, the data suggests that this link between codes and CSR may only be used in one third of the codes adopted, if it can be assumed that targeting stakeholders generally does indicate commitment to CSR objectives.

Lastly, Table V illustrates the nine most common groups of issues focused on by the codes, representing 90% of the total data. The content focus data give the most compelling indication of a link between CSR and codes due to the fact that triple bottom line issues are the most common focus of codes when they are adopted voluntarily (31%). We can again make the assumption that codes focussed on triple bottom line issues more clearly represent CSR within the organization because the code is integrated between different sets of issues and by definition must include a focus on all three elements of triple bottom line (social, economic and environment). The other groups of issues indicate that they are more likely to represent such things as flawed CSR thinking, negative media attention in a particular area, upcoming legislation, requirements to

operate in an international environment etc, or in other words, organizational imperatives.

Table V Most Commonly Listed Code Content Focuses

Content Focus	Total		Voluntary Only	
	#	% Total	#	% Total
Corporate Governance	96	29.1	9	4.0
Triple Bottom Line/ Sustainability/ Corporate Citizenship etc.	69	20.9	68	30.5
Workplace Issues ²	51	15.5	47	21.1
Environment	19	5.8	16	7.2
Labour Issues/ Workers Rights	9	2.7	9	4.0
Prompt Payment (primarily of suppliers)	9	2.7	9	4.0
Ethical Conduct	8	2.4	4	1.8
Industry Specific Issues ³	6	1.8	6	2.7
Privacy	5	1.5	2	0.9
Unknown	25	7.6	24	10.8
Subtotal	297	90.0	194	87.0
Total	330		223	

Thus, the remaining 62% of total data (excluding unknown) are less likely to represent CSR and more likely to indicate organizational imperatives such as ensuring proper operating structures (corporate governance) and legal compliance (environment, labour rights, ethical conduct if operating in the US etc.) to deflect criticism and government legislation while attracting investors, protection of the corporation from rogue employees, protecting or enhancing critical relationships such as with employees (labour issues/ workers rights), suppliers (prompt payment) and customers (privacy) who have the ability to have a direct and substantial impact on the corporation.

² Workplace issues refer to concepts or situations that are unique to groups operating internally to the corporation such as conflict of interest, sexual harassment, use of corporate resources etc.

³ Industry specific issues refer to those issues dealt with by the particular industry of which the corporation is a member such as responsible gambling, protecting youths on the Internet, airline noise etc.

Summary of Code Characteristic Data

When data from the three characteristics are combined, the relationship between codes and CSR, or lack thereof, becomes more apparent. Style data suggests that the codes were written largely to proscribe certain behaviours, primarily to define what “shall not” be done by the targeted group. Target audience data suggests that the majority of codes, whether mandatory or not, focused on directly related groups, staff in particular. Finally, content focus data suggests that although triple bottom line issues are important in 20-30% of the codes, the focus was primarily on issues of importance to the general operating conditions of the corporation. Therefore, in the aggregate, codes are more likely to dictate certain behaviours to staff members and focus on issues related to the workplace and other operational imperatives, than they are to communicate or set expectation surrounding CSR objectives to a broader group of less powerful stakeholders.

When discussing voluntary codes only, this pattern remains although is weaker. This is due to the fact that the style is equally distributed between stipulative, commitment and principles styles, still targeted at directly related stakeholders and in one third of cases focus on content related to triple bottom line issues. While it is clear that CSR and triple bottom line are not synonymous, the assumption here is that to create or adopt codes with multiple groups of stakeholders and issues requires a somewhat more sophisticated understanding of CSR and the breadth of issues to be considered. If we assume that greenwashing is not occurring in the code sample, then we could argue that somewhere in the range of 20-30% of the codes in the voluntary sample were focused CSR objectives and would provide evidence of a direct relationship between the two. However, the remaining 70-80% of codes mentioned do not appear to support any direct or meaningful relationship between codes and CSR.

Codes Compared to Other Tools

Lastly, we also sought to compare the use of codes and their characteristics with the CSR signallers. We did this to understand whether the data indicated codes were used differently to other tools, illustrating whether corporations perceived or wanted to communicate differences in the use of codes relative to CSR signallers, or whether corporations used codes and other tools in similar ways, suggesting no difference in how CSR was managed.

The same data were collected for all CSR signallers present on the sample corporations' websites as was for the codes. Therefore, it is possible to compare codes and CSR signallers on articulated motivations and on basic characteristics except target audience as it was identified that in virtually every case, the target audience for CSR signallers was stakeholders and therefore is not a useful comparison. As the vast majority of CSR

signallers were voluntary, the comparison is made with voluntary code and CSR signaller data only, not total data.

Table VI illustrates the most common motivations for both codes and CSR signallers in descending frequency. Clearly, in a large majority of cases, motivations for adopting CSR signallers were not articulated on corporate websites. Where given, the motivations focus on communication and engagement. Compared with CSR signallers, the articulated motivations for codes clearly focus more on meeting general organizational imperatives such as protecting the corporation from staff, or protecting the corporation's place in the market, through such things as compliance, formalizing and making behavioural expectations consistent worldwide. This suggests that codes are used as tools of internal governance for organizational imperatives more generally and CSR signallers used to communicate issues surrounding CSR to a wide range of stakeholders who may or may not possess power to influence the corporation. Therefore, codes in general may have less to do with CSR and more to do with internal corporate governance, based on everyday operating conditions within the corporation.

The differences between codes and CSR signallers are highlighted further by comparing style and content focus. Table VII illustrates that CSR signallers were found to be over 75% in commitment style, indicating that the language used was positive and encouraging, content included both commitments to the future and often times actions taken on these commitments, and included a variety of issues associated with multiple groups. Comparison with codes demonstrates that codes were much less uniform in style than the CSR signallers, and were much more likely to either dictate specific actions not to be taken (stipulative style) or to be more broad and vague (typical of principle style) than the CSR signallers. Therefore, implying a very different form of management style required to achieve the objectives set out in codes versus CSR signallers.

Table VIII shows triple bottom line issues as similarly represented in both the code and CSR signaller data, and although other issues are similar across the data sets, the relative representativeness within the sample varies. Again the important distinction between the two data sets is the nature of content, as CSR signallers tended to focus more on triple bottom line, environment, employee and community issues (from a quality of life perspective), whereas voluntary codes tended to focus on triple bottom line, environment, and issues of critical nature to directly related stakeholders (from a functional perspective), and to particular industries, thus suggesting a disconnect between codes used primarily as a tool for CSR.

Table VI Most Common Motivations for Codes and CSR Signallers Compared

Rank	Articulated Motivations for Codes (Voluntary)	% of Total	Articulated Motivations for CSR Signallers (Voluntary)	% of Total
1	No Reason	29.9	No Reason	61.7
-	Requirement	0	Requirement	0
2	Guide for Behaviour	15.1	Communicate Principles, Values and/ or Performance to Stakeholders	8.23
3	Protect/ Enhance Reputation	6.3	Constructive Engagement/ Encourage Feedback from Stakeholders/ Dialogue	3.5
4	Consistency Across Global Network/ Framework for Network	6.0	Communicate to Stakeholders (general)	2.9
5	Employee, Management or Board Compliance	3.2	Formalize/ Communicate Commitments or Position on Issues	2.5
6	Supplier Compliance	3.2	Recognised as Leader (industry, CSR field, customer relationships)	2.2
7	Communicate Principles/ Commitments/ Governance Structures to Stakeholders	3.2	To Be Transparent	1.6
8	Create/ Maintain Trust and Confidence with Stakeholders	2.8	Maintain/ Create Trust	1.3
9	Formalize Expected Behaviours/ Commitments	2.5	Encourage Employee Engagement	1.3
10	Legal Compliance	2.1	Satisfy Expectations	1.0
11			To Be Accountable	1.0
	Subtotal % Reasons Given	74.3	Subtotal % Reasons Given	87.2

Table VII Style of Code and CSR Signaller Compared

Style of Code and CSR Signaller (Voluntary)	Code		CSR Signaller	
	#	% Total	#	% Total
Stipulative	50	25.1	4	1.4
Commitment	51	25.6	224	77.5
Principle	57	28.6	19	6.6
Information	2	1.0	27	9.3
Unknown	39	19.6	15	5.2
Total	199	100	289	100

Table VIII Content Focus of Codes and CSR Signallers Compared

Rank	Code Content Focus (Voluntary)	% of Total	CSR Signaller Content Focus (Voluntary)	% of Total
1	Triple Bottom Line/ Sustainability/ Corporate Citizenship	30.5	Triple Bottom Line/ Sustainability/ Corporate Citizenship	29.6
2	Workplace Issues	21.1	Environment	22.7
3	Environment	7.2	Donations, Foundations, Partnerships, Scholarships	9.6
4	Corporate Governance	4.0	Health and Safety	8.8
5	Labour Issues/ Workers Rights	4.0	Community	5.1
6	Prompt Payment (primarily of suppliers)	4.0	Employee Issues	4.0
7	Industry Specific Issues	2.7	Employee Volunteering/ Participation	2.8
8	Ethical Conduct	1.8	Social Issues for Poor Societies (capacity building, food prep)	1.3
9	Privacy	0.9	Social Issues for Wealthy Societies (arts, culture, sport)	1.3
10	Unknown	10.8	Unknown	3.8
	Subtotal	87.0	Subtotal	89.0

Discussion

Overall, our findings seem to cast serious doubts on the generally assumed link between codes of conduct and their function as a tool of CSR. We would base this finding, firstly, on the way corporations actually talk about their codes. The main reasons for voluntary code adoption given are 'guide for behaviour', 'consistency across global operations' and reputation aspects. Overall there is a strong dominance of ensuring compliance by using these codes with a focus on addressing internal audiences. This is underscored by the style of the codes which is mainly stipulative and, to a lesser extent commitment and principle oriented. Only a third of the target audience of codes are stakeholders, which is surprising given that stakeholders are generally considered the target audience of communication efforts on CSR and code issues, and given that literature on codes typically assumes codes are adopted either for self-regulatory or for communication purposes.

It appears then that codes, even if they are initially adopted for CSR reasons (likely the case for many of the codes studied here based on where they were found on the website) are used as tools of internally focused corporate governance once they enter the organizational realm. Table V illustrates this point in that 29% of the total focus for codes was on corporate governance issues. Though the contents of voluntary codes had rather strong links to CSR issues this contrasts strongly with the reasons and target audiences corporations give for these codes. So a first finding of our analysis would be that codes, once adopted and implemented by a corporation, become tools for managing internal behaviour, governance and control within the organization rather than being presented as elements of their voluntary engagement in living up to societal expectations.

This lack of CSR orientation in the way companies present their codes on their websites is underscored by a second finding. All companies of our sample had some CSR signallers on their website indicating that they were active in this area and, more importantly, felt it necessary to communicate these activities to their stakeholders. However, if we compare the way they present their codes to the way they present their CSR signallers we discovered some striking differences. The motivations for presenting reveal that in 62% of CSR signallers, there is no reason given for adopting it, presumably because a CSR motivation is treated as a given. However, the range of reasons for adopting codes, and the considerably lower incidence of no reason given (30%) suggests that CSR motivations are not a given for adopting the code and must therefore be provided. It would be unlikely that presenting a code is less expected of the corporation than a CSR report, and thus requiring an explanation of why, as codes have become a minimum threshold in managing CSR issues, and therefore an expectation of a number of stakeholders. These differences between codes and CSR signallers continue throughout both style and content

characteristics identified in Table VII and Table VIII. Especially the latter reveals that though companies are highly attentive to signal CSR involvement on their websites at the same time they obviously do not consider codes of conduct worth mentioning in a similar intensity and closely related to CSR activities.

Thirdly, our research does not suggest, as some have argued, that corporations distinguish between internal, employee focused codes and those which are more oriented towards external stakeholders. At the beginning of this paper we mentioned the distinction between international codes and internal or corporate codes argued by Kolk, van Tulder and Welters (1999). They suggest that internal codes do not address the business-society relationship (which in many cases is valid) and is also true of mandatory codes imposed by government and other quasi-legal bodies such as the Financial Reporting Council in the UK, responsible for the Combined Code on companies listed on the London Stock Exchange. Also, in some cases, internal codes do include issues relevant to other stakeholders such as communities or the environment although they are unlikely to be the focus of the code. Thus the distinction between the types of codes is blurred.

Fourth, and finally, corporations do not seem to distinguish heavily between codes which have a stronger CSR focus and those who are more oriented towards general corporate governance or disciplinary issues. The key issue is that corporations adopt all types of codes and tend to present them equally on their websites. For instance, if corporation X adopts the OECD Guidelines for Multinational Enterprise, it is often found in the same area and given the same relative importance as its own internal code. Only the mandatory codes do not have the same relative significance on websites, suggesting that corporations which present codes view them to be of similar relative importance if adopted voluntarily. This is an important point because it shows that corporations present these codes equally to signal their engagement in CSR and thus, are meant to signify some form of business-society relationship – they do not distinguish between the types of codes on their website, nor do they provide any information on the different types of codes available and why they chose the particular type they did. This in turn suggests some form of social responsibility which may actually not be reflected in the text of the code. Thus, codes, whether internal or third party are used by corporations to signal their responsibility to a set of issues often assumed to deal with the business-society interface.

Implications and Conclusions

How could we explain our findings and what are the implications of this research? We would suggest three main conclusions.

First, we would argue that our study is one of the first to study corporate presentations of their motivations for adopting codes of conduct, and thus the 'practical reality' of code adoption in corporations. While the literature on the usefulness, necessity and potential of codes is burgeoning there is a conspicuous dearth of studies about the actual implementation of codes in multinational corporations. As Coupland and Brown (2004) have argued in the case of Royal Dutch/Shell, the analysis of the representation of a company on its webpages is a significant tool by which a corporation constructs its identity in particular in relation to CSR issues. While the companies in our sample were keen on including CSR (measured by the various signallers) on their websites and construct a tangible identity around this topic at the same time they did not include codes to the same degree into this construction. Consequently, we would argue, that while codes may initially be adopted for CSR-related reasons, they clearly lose this character and function once incorporated into practice. This in itself is a significant contribution as it cautions against much of the optimism in the literature which considers the adoption of codes for MNCs as indicative of working to eliminate many of the morally dubious practices of MNCs.

Second, we would argue that the organizational practices of the MNCs in our sample can be explained by Crane's (2000) earlier thesis of the 'amoralization' of ethical issues in organizations. The striking finding in our study is that even though many of the codes indicate some link (albeit quite tenuous in many cases) to CSR issues, the representation of these codes on the web clearly follows other imperatives. Analogous to Crane's (2000) argument in the context of environmental issues one could explain our findings by the tendency of organizations to suppress, neutralize and rationalize the moral implications which many CSR issues initially incorporate. Codes, once adopted and implemented, are then hardly more than just another tool by which the organization is managed more efficiently and by which internal stakeholders – roughly two thirds of the addressees of codes – are committed and indeed forced (stipulative style) to comply with the organization's objectives. This argument is underscored by our finding that all these companies may well talk about CSR issues but do so without a close relation to their published codes and in different parts of their websites.

Finally, our study makes a contribution to the literature on the global spread of management practices (e.g. Guler et al., 2002; Aguilera and Cuervo-Cazurra, 2004). We have analyzed the top 50 companies of three countries with rather different national institutional frameworks and we have analyzed the national differences in code use and adoption elsewhere (AUTHOR REF, 2004). In this paper, however we have analysed the aggregate data and focused on those aspects which showed a relative high consistency across all companies of our sample. We would therefore argue that CSR, and in particular codes, can be considered a recent example of management concepts and tools which have consistently spread globally and have lead to convergence of management practice. Based on DiMaggio and Powell's (1991) analysis, Guler et al. have argued

that the spread of ISO 9000 globally in different ways is credited to three different forces of isomorphic institutional change in organizations. While (1) coercive isomorphisms are normally based on external pressures, such as legislation, (2) mimetic processes look at the adoption and spread of best practices in a field and (3) normative pressures reflect the fact, that increased professionalization of management practitioners has led to a spread of increasingly uniform practices. Our data certainly reveal the relevance of normative pressure given that 35% (with 6% unknown) of codes were mandatory for these companies. Given that CSR has relatively low importance in the codes of many companies studied, there seems however reason to suggest that the spread of this tool is also strongly due to mimetic processes (see Table VI). In fact, the absence of reasons in code adoption (one third) and usage of CSR signallers (two thirds) could be interpreted as a strong indicator that companies just engage in these tools because it is 'the thing to do' or best practice in their respective organizational field rather than a result of deliberate strategic reasoning. Even though no reason given might not exclude a CSR-related motivation the fact that companies cannot be bothered to legitimate and justify their CSR engagement or their use of codes of conduct suggests that they take these measures somewhat for granted.

To conclude then, our study sheds light on an important instrument of global CSR for MNCs and raises a number of issues for future research. There is certainly a need for more case-study research into the process of code implementation and the way a code is adopted and broken down within the organizational reality. Furthermore, some of our results strongly suggest a revisit of the CSR debate and the implementation of CSR tools in the context of the alleged function of organizational rules and bureaucratic structures on moral and ethical imperative within organizations. In the light of work, for instance, of Weber (1947) or Baumann (1993) we would argue that our study would suggest a more critical inquiry into the organisational processes of code implementation, in particular at the level of individual organizations. And finally, the apparent inconsistencies between the global spread of CSR and codes of conduct as an implementation tool of CSR requires deeper analysis of the antecedents and contingencies of the global spread of this particular family of management concepts, ideas and tools.

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