Codes of Conduct in Organisational Context: From Cascade to Lattice-Work of Codes

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ABSTRACT. Codes of conduct have proliferated not only at company level, but also at supra- and sub-organisational levels. However, the latter have remained an under-researched area within the CSR literature. Hence, this article examined what range of organisational and sub-organisational codes large companies – here the FTSE100 constituent companies – have developed. The article isolated seven different types of organisational and sub-organisational codes, which together with six supra-organisational ones form a lattice-work of intermeshing documents. Such a division of labour between types of codes has two significant implications for CSR practice and research. In terms of corporate practice, an analysis of the content of the organisational and sub-organisational codes indicates that companies seem to enter into generalised commitments in the more visible documents, whereas other aspects, in particular more coercive aspects of CSR, get buried in the lower levels of the code hierarchy. In terms of research methodology, the differentiation between codes highlights that an analysis of codes of conduct alone is insufficient to establish what the CSR approach of a company is. Rather, it is the entire range of codes at organisational and sub-organisational levels that scholars of codes of conduct should be concerned with.

KEY WORDS: codes of conduct, corporate social responsibility, supply chains, environmental protection

Introduction

In recent decades multinational corporations (MNCs) have become subject to a range of pressures to engage in corporate social responsibility (CSR). One of the major tools through which companies can address such demands is the code of conduct. As codes are perhaps the most often used tool to manage CSR (World Bank, 2003), they are an important operationalisation of CSR strategies (van Tulder et al., 2009). Previous studies into codes of conduct have focussed in particular on company-level codes (Adams et al., 2001; Kaptein, 2004; Weaver et al., 1999) as well as on codes developed by non-governmental organisations (NGOs), like Amnesty International, and inter-governmental bodies, such as the International Labour Organisation (Kolk and van Tulder, 2002a; Leipziger, 2003; World Bank, 2003, 2004). At the same time, the sub-organisational level has been neglected, where a myriad of different codes have been drawn up too. These include documents that apply to a particular corporate function, for example to supply chain management (Cooper et al., 1997; Handfield and Baumer, 2006), to a specific set of issues, like corporate environmental policies (Brophy, 1996; Onkila, 2009; Ramus and Montiel, 2005) or to a combination of the two, such as ethical sourcing policies (Preuss, 2009).

Although the publication of a code usually signals the intention of an organisation to implement the document, commitment does not necessarily translate into implementation (Winn and Angell, 2000). Within the organisation, studies into whether a code of conduct can indeed influence the behaviour of organisational members in the desired direction have produced conflicting results (Kaptein and Schwartz, 2008). Hence, one stream of research has focussed on evaluating the quality of codes of conduct. For example, many codes do not provide operational definitions of key stipulations, which reduces their value in guiding their addresseses in situations of moral hazard (Farrell and Farrell, 1998). Given their role as tool of self-regulation, implementation procedures are a further important indicator of code
quality (Leipziger, 2003; O’Dwyer and Madden, 2006; van Tulder and Kolk, 2001). Recent work by Kolk and van Tulder (Kolk and van Tulder, 2002a; Kolk et al., 1999; van Tulder et al., 2009) synthesised such research into a framework that allows codes to be classified along two dimensions, content specificity and compliance: a detailed code with a robust monitoring system can thus be taken as an indicator that the issuing company takes a proactive approach to CSR.

These themes lead to two contributions to the literature this article seeks to make. First, in view of the proliferation of codes at supra-organisational and sub-organisational levels, Kaptein and Schwartz (2008, p. 117) suggested that a code of conduct has to be ‘viewed in relation to possible external codes and internal sub-codes’. However, research into codes beneath the organisational level is still scarce. Hence, this article seeks to contribute to the literature by establishing what the range of codes is that large corporations – here the FTSE100 constituent companies – have drawn up at sub-organisational level. Second, the article seeks to examine how companies make use of this range of internal documents. This is achieved through a content analysis of the various types of codes in terms of ethical, environmental and social issues they discuss or omit. Are some issues perhaps taken up in greater detail by classes of documents other than the company-wide code of conduct, such as environmental policies? If there is a division of labour between various types of organisational and sub-organisational codes, then taking only codes of conduct as proxy for the CSR performance of a company would be insufficient.

The article is organised as follows. The literature review discusses both the range of codes at organisational and supra-organisational levels which prior research has examined as well as indicators for code quality that have been recommended in the literature. Thereafter, the research methods section outlines the approach taken in this study. This is followed by data regarding the first research question what the range of codes at sub-organisational level is. The discussion here unearths seven organisational and sub-organisational level codes, which together with supra-organisational ones form a lattice-work of 13 different types of intermeshing documents. Moving onto the second research question, the detailed analysis of the content of the various codes leads to a discussion on how the diversity of codes is used by corporations vis-à-vis public demands for corporate legitimacy. Last but not least, the conclusions comment on limitations of the study and offer avenues for further research.

Range of codes at organisational and supra-organisational levels

Given the interest of the article in the range of codes at various levels, the literature review will consider first what the range of codes is that prior research has found at organisational and supra-organisational levels. A code of conduct can be defined as ‘a policy document that defines the responsibilities of the corporation towards its stakeholders and/or the conduct the corporation expects of employees’ (Kaptein, 2004, p. 13). Codes of conduct have shown an initial prominence in the United States (Adams et al., 2001; Weaver et al., 1999), but have over the last few decades spread to other parts of the world. Today 58% of the world’s largest 100 companies have such a document in place (Kaptein, 2004). However, a major criticism of self-regulation through codes of conduct is that these documents do not have the same clout as government regulation (Sobczak, 2006). Codes also display a large variance between companies in terms of how specific their requirements are or what monitoring and compliance procedures they include (Kolk and van Tulder, 2002b).

Above the level of the individual company, codes have been drawn up by various industry associations to provide guidance for their members, such as the International Council of Toy Industries (Kolk and van Tulder, 2002a). However, due to the need to find a common denominator among members, requirements of industry association codes are often less demanding than documents drawn up by other bodies (Kolk and van Tulder, 2002a). Parallel to industry associations, a number of NGOs have designed their own codes too. These include the Coalition for Environmentally Responsible Economies with its CERES Principles and Amnesty International’s Human Rights Principles for Companies (Leipziger, 2003; World Bank, 2003, 2004). NGO codes are often much more demanding than codes developed by other organisations (Kolk and van Tulder, 2002a). However, they can also be less