

From Chain Liability to Chain Responsibility

Rob van Tulder
Jeroen van Wijk
Ans Kolk

MNE Approaches to Implement Safety and Health Codes in International Supply Chains

ABSTRACT. This article examines whether the involvement of stakeholders in the design of corporate codes of conduct leads to a higher implementation likelihood of the code. The empirical focus is on Occupational Safety and Health (OSH). The article compares the inclusion of OSH issues in the codes of conduct of 30 companies involved in International Framework Agreements (IFAs), agreed upon by trade unions and multinational enterprises, with those of a benchmark sample of 38 leading Multinational Enterprises in comparable industries. It is found that codes of the IFA group have a higher implementation likelihood in OSH than the codes of the benchmark group. Further, European firms, culturally more used to stakeholder involvement, score higher than their US and Japanese competitors, and hence are more capable of addressing the safety and health issues in international supply chains. The implementation likelihood of codes seems closely related to the type of corporate CSR approach.

KEY WORDS: chain responsibility/liability, codes of conduct, CSR strategies, international framework agreement, occupational safety and health, outsourcing, stakeholders

ABBREVIATIONS: CSR: Corporate Social Responsibility; ICFTU: International Confederation of Free Trade Unions; IFA: International Framework Agreement; ILO: International Labour Organization; MNE: Multinational Enterprise; NGO: Non-Governmental Organization; OSH: Occupational Health and Safety; WHO: World Health Organization

Introduction

The formulation and implementation of codes of conduct as an operationalisation of corporate social responsibility (CSR) strategies is gaining in scale and scope. Around two thirds of the 100 largest firms in the world already formulated a code of conduct

(Kaptein, 2004). These codes include an increasing number of dimensions of corporate strategy (Carasco and Singh, 2003; Singh, 2006). Corporate codes constitute a concrete effort to fill the regulatory and legislative gap that exists in particular when firms become a Multinational Enterprise (MNE) and have to operate across regulatory, moral and cultural borders (Van Tulder with Van der Zwart, 2006). A code of conduct thereby serves as a compass in the maze of current international norms (Kolk and Van Tulder, 2005) or as a signal for ethical behaviour (Adams et al., 2001). Codes create new institutions – interpreted as new ‘rules of the game’ in the original definition of North (1991) who defined institutions as “formal rules, informal constraints – norms of behaviour, conventions, and *self-imposed codes of conduct* – and their enforcement characteristics” (italics added). These new institutions are necessary to deal with increased actual and perceived risks and uncertainty in the global business environment.

Codification can first be triggered by *intrinsic* motivations such as the greater moral space available for MNEs (Donaldson and Dunfee, 1999), as well as by the greater strategic need to coordinate and control the firm’s activities spread over a large number of countries and constituencies (Mamic, 2005). This is often the area of ‘internal codes of conduct’ or ‘codes of ethics’. The strategic need for the formulation and implementation of external codes of conduct as a coordination mechanism becomes bigger when firms engage in sourcing out activities to dependent affiliates (off shoring) or to independent suppliers (outsourcing) in developing countries, where the governance quality is often relatively low and the cultural and institutional distance (Kostova and Zaheer, 1999) is relatively high.

A large number of (procurement) codes thus addresses supply chain issues such as human rights, labour standards or the right to association (Carter, 2000; Carter and Jennings, 2002; Emelhainz and Adams, 1999). In this case firms have an incentive not only to formulate codes of conduct, but also to implement them. *Extrinsic* motivations for MNEs are gaining in importance as well: the risk of reputation damage triggered by critical NGOs precipitates MNEs to formulate international codes of conduct or principles of ‘corporate citizenship’. In case the main motivation is due to actual and/or perceived stakeholder action in the home country, MNEs might have an incentive to formulate, but not to implement these codes – as long as the code itself is sufficient to keep critics at bay.

This article focuses on the shape that codes take in international supply chains and the extent to which they handle particular practical issues and stakeholder pressure. We classify the various codes of conduct approaches and link them to (1) ethical and stakeholder theory, (2) the CSR repertoire available to corporations in general, (3) their international sourcing choices and chain management strategies in specific, and (4) the issues that figure most prominently in international supply chains. The empirical focus of this article is on occupational safety and health (OSH). Around 2.2 million deadly incidents a year are registered in factories (ILO, 2005). OSH and other types of human rights issues – including the right to association – are directly related to the whole operation of the global economy and the role played by MNEs, particularly when they move their operations to developing countries.

By analysing the content and scope of the corporate codes of conduct, this article aims to investigate three important questions related to the actual codification process: (a) to what extent do codes that have been agreed upon in an interaction with well-established international stakeholders, such as the labour unions, differ in scale and scope from other codes?; (b) to what extent does this differ for institutional settings, most notably MNEs’ home countries?; and (c) may more (inter)active codes have a higher chance of ‘solving’ the issue(s) at hand? We hypothesise that greater stakeholder involvement in the design of corporate codes of conduct leads to a higher implementation likelihood of the code.

The article is organised as follows. First we come to a classification of CSR strategies of firms that includes insights from ethical theory. Then we apply this classification to the issues at hand: supply chain management, safety and health issues and codification. In the methodology section we explain the sample of 68 corporations as well as the framework to analyse their codes of conduct. We subsequently discuss the results as well as the implications.

A strategic and ethical classification of CSR approaches

Over the years, a range of concepts has been proposed to elaborate on the catch-all term ‘CSR’. This conceptual ambiguity contributes to the confusion on the terminology as regards processes and principles of CSR. Usually, they are separated from each other and categorised differently. In the Corporate Social Performance (CSP) model of Wood (1991), ‘processes of social responsiveness’ are separated from the ‘principles of social responsibility’. ‘Responsiveness’ can, however, also be considered as a principle of CSP and CSR. The sharp distinction between ‘processes’ and ‘principles’ often obscures more than it reveals. When classifying the organisational attitudes linked to processes of ‘Corporate Social Responsiveness’ Carroll (1979) and Wartick and Cochran (1985) – and many in their wake – use concepts like ‘reactive’, ‘defensive’, ‘accommodative’ and ‘proactive’. Post (1979) was the first to introduce the distinction among ‘reactive’, ‘proactive’ and ‘interactive’. These attributes are not linked to the principles of CSR or their outcomes and often overlap. In various other publications in the Business and Society literature, comparable inactive/reactive/proactive /interactive frameworks have been used.

Table I represents a synthesis of these concepts in a framework that directly links principles, processes and the stakeholder perspective, in a way that is appropriate for the purpose of this study. It follows a recent conceptualisation (cf. Van Tulder with van der Zwart, 2006) that suggests four approaches to CSR with different procedural attributes in which the very CSR abbreviation also has four different meanings: in-active, re-active, active and pro/inter-active. In this approach, the continuum of CSR business strategies is conceptually related to

TABLE I
Four CSR approaches

IN-ACTIVE	RE-ACTIVE	ACTIVE	PRO/INTER-ACTIVE
'Corporate <i>Self</i> Responsibility'	'Corporate Social <i>Responsiveness</i> '	'Corporate Social <i>Responsibility</i> '	'Corporate <i>Societal</i> Responsibility'
Legal compliance and utilitarian motives	Moral (negative) duty compliance	Choice for responsibility and integrity; virtue	Choice for inter-active responsibility; discourse ethics
Inside-in	Outside-in	Inside-out	In-outside-in/out
'doings things right'	'don't do things wrong'	'doing the right things'	'doing the right things right'
'doing well'	'doing well and doing good'	'doing good'	'doing well by doing good'
'what is required' Economic Responsibility [Wealth oriented] Narrow (internal) CSR	← — — — — — →		'what is desired' Social Responsibility [welfare oriented] Broad (external) CSR

the basic distinction in conventional moral theory, as explained by Michaelson (2006), between what is required and what is desired, or between the 'morality of duty' and the 'morality of aspiration'. Business responses to what is required and to duties are normally considered as compliance. Ethics refers to corporate behaviour that goes beyond what is required. However, ethics holds two essential features: (a) the autonomy of making a choice and (b) goodness, i.e. consistency with the standards of a moral theory. Hence, corporate social performance that is not the result of an autonomous choice is compliance rather than ethics.

The *inactive* approach, as included in the first column of Table I, reflects the classical notion of Friedman that the only responsibility companies (can) have is to generate profits. This is a fundamentally inward-looking (inside-in) business perspective, aimed at efficiency and competitiveness in the immediate market environment. Entrepreneurs are particularly concerned with 'doing things right'. They comply with the law, at least under those jurisdictions where the law is adequately enforced. Good business from this perspective equals operational excellence. CSR thus amounts to 'Corporate *Self* Responsibility'. The moral motivation for CSR is primarily utilitarian (Swanson, 1995), derived from so called 'consequential ethics' where the focus is on the end result rather than the means by which it is achieved. Hence, the allegation that Friedman is

basically against Corporate Responsibility is fundamentally mistaken – the presumptions in his neo-classical theory are also aimed at creating the maximum wealth for society, and thus can be interpreted as a narrow approach to CSR.

A variation on the inactive attitude is the *re-active* approach, which shares the focus on efficiency but with particular attention to not making any mistakes. This requires an outside-in orientation where entrepreneurs monitor their environment and manage their primary stakeholders so as to keep mounting issues in check without otherwise allowing it to give rise to fundamental changes in the business philosophy and primary production processes. CSR translates into Corporate Social *Responsiveness*. Corporate philanthropy is the modern expression of the charity principle and a practical manifestation of social responsiveness (Post et al., 2002, p. 89). In this approach the motivation for CSR is primarily grounded in 'negative duties' where firms are compelled to conform to informal, stakeholder-defined norms of appropriate behaviour (Maignan and Ralston, 2002). They cannot be held legally liable for violating these informal rules, but they may incur costs due to reputation damage. The concept of 'conditional morality' in the sense that managers only 're-act' when competitors do the same, is also consistent with this approach.

An *active* approach to CSR is explicitly inspired by ethical values and virtues (or 'positive duties').

In business ethics reasoning this orientation is approached as a theory of organisational integrity (Kaptein and Wempe, 2002), in which the objectives are realised in a socially responsible manner by autonomous choice, and regardless of actual or potential stakeholder pressures. Such entrepreneurs are strongly outward-oriented (inside-out) and they display a certain ‘missionary urge’ (e.g. in the case of the Body Shop) which makes them heroes to NGOs but an annoyance to ‘true’ entrepreneurs. They are set on doing ‘the right thing’. CSR in this approach gets its most well-known connotation – that of Corporate *Social* Responsibility.

We speak of a pro-active CSR approach when an entrepreneur involves external stakeholders right at the beginning of an issue’s life cycle. This pro-active CSR approach is characterised by *interactive* business practices, where an ‘inside-out’ and an ‘outside-in’ orientation complement each other. In moral philosophy, this approach has also been referred to as ‘discourse ethics’, where actors regularly meet in order to negotiate/talk over a number of norms to which everyone could agree (cf. Habermas 1990). The CSR approach often implies medium-term profitability and longer-term sustainability, not only for themselves but also for the whole sector, their supply chains and sometimes even for the whole economy (adding a welfare orientation to a company’s aims). This strategic type comes closest to what authors since the end of the 1990s have started to refer to as the real meaning of the CSR abbreviation in the sense of Corporate *Societal* Responsibility (Andriof and McIntosh, 2001, p. 15). With the introduction of the broader concept of Corporate Societal Responsibility, the issue of CSR shifts from a largely instrumental and managerial approach to one aimed at managing strategic networks where longer-term relationships with stakeholders are prominent in the strategic planning of the company.

CSR approaches and codes of conduct

In order to classify codes of conduct along the four CSR strategies, we follow the method introduced by Kolk and Van Tulder, which has been applied several times in relation to codes’ role in issue management (Kolk and Van Tulder, 2002), their application in a specific sector (Van Tulder and

Kolk, 2001), and their effectiveness (cf. Kolk and Van Tulder, 2005). According to this framework, codes can be classified along two dimensions: specificity and compliance. The specificity of a code indicates how elaborated a code is on several dimensions, including how many issues it covers, how focused it is, the extent to which it refers to international standards and guidelines, and to what extent aspects of the code are measured. The compliance of codes is generally enhanced by clear monitoring systems in place, combined with a more independent position of the monitoring agency and the possibility of these organisations to formulate and implement sanctions.

Firms score in terms of this framework on specificity and compliance of their code of conduct. The higher the scores on both dimensions, the higher the implementation likelihood of the code. With this evaluation the codes of conduct of individual MNEs can be positioned along the four CSR approaches (Table II). An inactive code implies low specificity and low compliance measures; a re-active code has more specificity, but will be rather vague in compliance because the firm misses the incentive to really implement the code. A firm with an active code is likely to be much more detailed in its compliance mechanisms, although the specificity does not need to be high since it may be coupled with adherence to more general principles (for example international standards) or a limited number of issues. A pro-active code tries to much more operationalise chain responsibilities and will score high on both specificity and compliance, thus having the highest ‘implementation likelihood’ (Table II).

Inactive and re-active codes represent a ‘liability’ approach towards the management of international supply chains, in which the interaction with stakeholders generally is one of confrontation and/or evasion. Pro-active codes require an active involvement of stakeholders. Expanding international supply chains have raised questions concerning the scope of corporate liability, both under legal and moral rules. To what extent can firms be held liable for deficiencies in a final product due to supply irregularities, or for labour conditions in the supply chain that produced these products, and what kind of codes can be formulated to manage this process? The existing literature on chain management stresses liability issues and legal requirements in the home

TABLE II
CSR Supply Chain Strategies

IN-ACTIVE	RE-ACTIVE	ACTIVE	PRO/INTER-ACTIVE
Codes of conduct strategy:			
Internal codes	Specific supplier codes	General supplier codes	Joint codification initiatives: dialogues
Specificity: low	Specificity: m/high	Specificity: m/low	Specificity: high
Compliance: low	Compliance: m/low	Compliance: m/high	Compliance: high
Implementation likelihood: low	Implementation likelihood: medium/low	Implementation likelihood: medium/high	Implementation likelihood: high
<i>Chain Liability</i> ← — — — — — → <i>Chain Responsibility</i>			

country as trigger for CSR strategies (Preuss, 2001; Snir, 2001). Others stressed that arm's length relationships with suppliers are no longer accepted (Phillips and Caldwell, 2005), but the extent to which this could lead to more active strategies and codes have been disputed. Mamic (2005) concluded that more extended supply chains create bigger implementation problems, whereas Maloni and Brown (2006) found that some issues were more easy to address than other issues – such as for instance wages. Sobczak (2006) concluded that with the broadening of the circle of persons that is involved in the setting of new norms, processes of change could be speeded up, but also that labour and employment law gets replaced by consumer and commercial law. At the same time he warns for the rather arbitrary character of consumer involvement in labour issues. The randomness of reputation amongst consumers as driver for moral responsibility is also confirmed by Roberts (2003). Most of these supply chain studies do not differentiate between the various CSR strategies.

Occupational Safety and Health (OSH)

In the area of Occupational Health and Safety (OSH), international organisations have been actively involved in the formulation of basic principles in conventions and declarations, such as the UN Universal Declaration of Human Rights, the World Health Organization (WHO), and the International Labour Organization (ILO) (see Table III for an

overview). ILO convention No. 155 (1981) defines OSH as 'the physical and mental elements affecting health which are directly related to safety and hygiene at work'. Many of these conventions have been updated over time and specified for specific sectors and economic activities, but many of these conventions have not been ratified by the member countries. The two main ILO OSH conventions – No. 155 and No. 161 – were, by 2006, only ratified by, respectively, 47 and 25 countries out of a total of 178 member countries.

In 1950 (and 1995 for the revised version) collaboration between the ILO and the WHO led to a broader approach towards occupational health, where the focus moved from protection to prevention – ensuring that management processes promote health and safety at work. These international conventions form the context in which firms and other organisations have initiated their own individual codes and/or guidelines. Many of the codes mentioned in Table III (ICFTU/ITS Basic code of labour practice (1997), the CEPAA's SA 8000 (1997), or the ETI Base Code (1998)) for instance recognise the 1979 ILO core set of labour standards and thus provide legitimacy to it, even when member countries did not ratify it. The first International Framework Agreement (IFA) between an MNE and a global union federation, in 1988, already referred to the ILO core labour standards.

IFAs are formal agreements negotiated between an MNE and a Global Union Federation concerning the international activities of that company. In the 1988–2006 period, 46 IFAs have been settled in

TABLE III
Codes and reporting initiatives relevant for OSH in the supply chain

Name code of conduct	Year	Reason for adoption
OECD guidelines for Multinational Enterprises	1976	A set of voluntary CSR principles in a variety of areas to stimulate sustainable development
Significant revision OECD Guidelines	2000	Addition of recommendations to cover all internationally recognised principles and rights at work
ILO Tripartite Declaration concerning MNEs and Social Policy	1977	Provide a leading set of global guidelines on social and labour policies for multinationals
ILO declaration of Fundamental Principles and Rights at Work	1998	Set of principles to express commitment to basic human values at work
First International Framework Agreement (IFA) with the Danone Group	1988	A formal agreement with a Global Union Federation to promote the adoption of ILO Core Labour Standards in its supply chain
Levi Strauss & Co: Global Sourcing and operating guidelines	1991	First company to develop a corporate code of conduct which recognises workplace standards and labour rights as a supply chain responsibility
ICFTU/ITS Basic code of labour practice	1997	To establish a minimum set of standards that should be included in all codes of conduct addressing labour practices in the supply chain
Council on Economic Priorities Accreditation Agency: CEPAA's SA 8000	1997	Standardised, global system for companies interested in assessing, monitoring and influencing the social accountability of their suppliers and vendors, as well as their own facilities
Ethical Trading Initiative (ETI): Base code	1998	To promote and improve the implementation of corporate codes of practice which cover supply chain working conditions
UN Global Compact	1999	To recognise labour standards based on the ILO declaration of Fundamental Principles and Rights at Work
FTSE4Good supply chain labour standards	2004	To measure the performance of companies that meet globally recognised labour standards (ILO core conventions)

particular with European MNEs. IFAs are coordinated by the International Confederation of Free Trade Unions (ICFTU). It is the largest labour representative, organising around 145 million workers in the world, with 233 affiliated organisations in 154 countries. The International Metalworkers' Federation signed the majority of the IFAs with several big transnational companies from the metal and auto industries in particular to promote the adoption of ILO Core Labour Standards in their global supply chains.

IFAs involve dynamic bargaining processes between firms and stakeholders. Consequently, they tend to be adapted several times. For example, six additional agreements have been added to the first international framework agreement of Danone in 1988. The first more or less voluntary code for global sourcing was initiated by Levi Strauss in 1991. IFAs also often involve a more or less independent monitoring group consisting of an equal number of company management and union representatives. The compliance likelihood of IFAs is therefore probably higher.

Methodology

For the analysis of concrete OSH codes we used two samples of companies: a base group of firms that had struck an International Framework Agreement with representatives of trade unions, and a benchmark group of firms which are among the five largest (in terms of revenue) in their sector. A third selection criterion was that the firms operate in a sector that are most prone to OSH issues because they involve particularly hazardous working environments or are leading in international outsourcing, including (1) oil/petroleum, (2) chemicals, (3) construction/building, (4) metal/steel, (5) automotive, (6) food & drugstores/food consumer products, (7) paper, and (8) mining. Other sectors were left out, which resulted in the exclusion of 16 IFAs. This left 30 companies in the base group and 38 in the benchmark group. Both lists overlap in five cases (see the Annex). The benchmark sample included firms from Japan, the United States, India, Australia and Canada – to check for the European bias in IFAs.

The code of conduct of each firm was scored according to a codification scheme developed from

earlier studies (see Table IV). Firms could score low, medium or high in each category – each representing one third of the possible outcome. For the specificity dimension, the 'medium' category was split up into two categories, to enable more differentiation in the results.

The specificity of a code in OSH is related to (1) the adherence to international guidelines, (2) the degree of concreteness of the topics dealt with in the code, (3) the embeddedness of the OSH strategy in the formal organisation of the company, and (4) the specific coverage of OSH in terms of prevention and implementation of good working conditions. The extent to which an OSH code addresses suppliers around the world was measured by the type of organisations that were particularly targeted. Finally, the financial commitment of the organisation on activities related to OSH, for example in training and employee facilities, as well as the scope and type of sanctions form important characteristics of compliance.

Results and discussion

Table V gives an overview of the main results. It shows that most IFAs score medium on specificity, while the benchmark group (the 'MNE' column in Table V) is somewhat more specific. On compliance, the picture is rather different, with more IFAs being placed in the medium and high groups. Monitoring involves the firms themselves, but also international trade unions and/or works councils, which means that there are meetings between various parties to discuss implementation of IFAs, implying a higher chance that the agreement is actually being carried out. In comparison, the benchmark group is mostly found in the low category: in a number of these large MNEs, compliance mechanisms are completely absent. Others are extremely vague, with monitoring, if any, usually being carried out by MNEs themselves or, sometimes, by external professionals paid by the MNE. There is also a lack of sanctions, which leads to a lower compliance likelihood.

Linking these findings to the research questions, we found, first, that the involvement of stakeholders in the codification clearly results in different levels of implementation likelihood and, hence, different

TABLE IV
OSH codes classified along specificity and compliance criteria

Issue	Criteria	Performance indicators	Classification (points)
Specificity Policy	Content: Social issues covered:	<ul style="list-style-type: none"> (1) Employment (employment promotion; equality of opportunity and treatment; security of employment) (2) Training (3) Working conditions (wages and benefits; conditions of work and life; safety and health) (4) Industrial relations (freedom of association; collective bargaining; consultation; examination of grievances; settlement of industrial disputes) (5) Labour force conditions (child labour; forced labour; disciplinary practices) 	Ranging from 0 out of 5 to 5 out of 5
	OSH dimensions covered:	<ul style="list-style-type: none"> (1) No protection and promotion of OSH (2) Protection of workers to all accidents and diseases which are directly related to the working environment (3) The promotion of a safe and healthy working environment (4) 2 and 3 combined 	Ranging from 0 to 3: None (0); protection (1); promotion (2); protection and promotion (3)
Organizational position	Strategic importance	Is a person/committee in charge of OSH within the organization?	No (0); Yes (1)
	Management systems integration	Are ILO-OSH Guidelines (2001) integrated within management systems of the organization?	No (0); vague (1); vague to clear (2); clear (3)
Prevention Focus	Training and education	OSH training or education is provided	No (0); Yes (1)
	Organizations targeted	<ul style="list-style-type: none"> (1) Companies (2) Business partners (suppliers, subcontractors, vendors, manufacturers) (3) General 	Companies (0); Business partners (1); General (2)
	Nature	<ul style="list-style-type: none"> (1) General prescription/description (general) (2) Predominantly general (frail) (3) General and specific (moderate) (4) Predominantly specific (moderate to strong) (5) Specific (strong) 	Ranging from 0 out of 4 to 4 out of 4 (in which general is 0, and strong is 4)
	Reference to regulation of international guidelines	<ul style="list-style-type: none"> (1) Home country laws (home) (2) Host country laws (host) (3) International labour organization (ILO) (4) United Nations (UN) (5) OECD Guidelines (OECD) (6) Other international guidelines (other) 	Ranging from 0 out of 6 to 6 out of 6

TABLE IV
continued

Issue	Criteria	Performance indicators	Classification (points)
Measurement	Quantitative standards (incl. subcontractors)	(1) Injury rates (2) Lost day rates (3) Absentee rates (4) Number of work-related fatalities	Ranging from 0 out of 4 to 4 out of 4
<i>Compliance</i> Monitoring	Systems and processes	(1) No monitoring systems and processes (none) (2) Only general reference to monitoring OSH (vague) (3) Reference to some parts of monitoring OSH, but criteria or time frames are lacking (clear to vague) (4) Good insight into OSH system and process (clear)	Ranging from: None (0); vague (1); clear to vague (2); clear (3)
	Position of monitoring actor	(1) No monitoring actors (none) (2) MNEs themselves (1st party) (3) Works Councils (2nd party) (4) International trade unions (3rd party) (5) External professionals paid by firms (4th party) (6) Combinations of different actors (5th party) (7) Legal authorities (6th party)	None (0); 1st party (1); 2nd party (2); 3rd party (3); 4th party (4); 5th party (5); 6th party (6)
Sanctions	Scope of sanctions	(1) There are no measures included (none) (2) Sanctions apply to company employees (internal) (3) Sanctions apply to third parties (external) (4) Sanctions apply to company employees and third parties (all)	None (0); internal (1); external (2); all (3)
	Type of internal sanctions	(1) No sanctions available (none) (2) Warnings and exclusion of membership (mild) (3) Threat to business activities (severe)	None (0); mild (1); severe (2)
	Type of third party sanctions	(1) No third party sanctions available (none) (2) Fines or demand for corrective actions to protect OSH (mild) (3) Cancellation of contract (severe)	None (0); mild (1); severe (2)
Commitment	Financial commitment	Relative investment on activities related to OSH (e.g. training, employee facilities)	Low (0); moderate (1); high (2)

Source: adapted from Kolk and Van Tulder (2005) and Bruins (2006).

TABLE V
Specificity and compliance of OSH codes

	IFAs (<i>N</i> = 30) (%) MNEs (<i>N</i> = 38) (%)		Country of origin		
			Japan (<i>N</i> = 4) (%)	USA (<i>N</i> = 8) (%)	Europe (<i>N</i> = 43) (%)
<i>Specificity</i>					
Low (0–10)	20	11	100	0	10
Medium 1 (11–15)	36	29	0	64	28
Medium 2 (16–20)	44	55	0	36	58
High (21–29)	0	5	0	0	4
<i>Compliance</i>					
Low (0–6)	24	76	100	73	42
Medium (7–12)	64	21	0	27	48
High (13–18)	12	3	0	0	10

types of codes. The codes that were the result of a more interactive process (as illustrated by the IFAs) in general score lower on specificity and higher on compliance than the benchmark group. This was also the case for the firms that were included in both samples (with the exception of Carrefour that scored lower on compliance; this seems an indication of its strong bargaining position towards the retail industry trade union). The involvement of stakeholders in the codification process, thus, on the one hand leads to a sort of ‘compromise’ in terms of the issues addressed, but on the other hand increases the compliance likelihood considerably.

Second, implemented OSH codes reveal a country of origin effect. All Japanese firms scored low on both specificity and compliance, indicating inactive codes, whereas the only examples of high specificity and compliance, i.e. active codes, could be found with European firms. This distinction is presumably not only caused by the national legal environment of both groups, but also by a different ethical orientation. The US companies fall somewhere in between and generally represent the reactive CSR strategy. The difference in approach between US and European companies is particularly remarkable, but could be largely explained for by the bigger involvement of stakeholders. The implementation likelihood of almost all European codes is higher than that of their American or Japanese counterparts. It also hints at differences in the CSR regime: the ‘substantial equivalence principle’ in the United States and a stricter extra-territoriality of the

American legal system puts less responsibility with the individual companies (although a higher risk of being liable in the whole supply chain), whilst the ‘precautionary principle’ of the European legal practice puts more responsibility with the individual firm, but based on own or interactive duties rather than the threat of an expensive law suit at home.

Third, do more (inter)actively designed codes have a higher chance of ‘solving’ the OSH issue(s) at hand? The European firms represent the clearest move from chain liability (and the morality of duty) to chain responsibility (and the morality of aspiration). The reason for this move, however, does not have to be based on (deontological) ‘ethics’ alone. It is a clear example of discourse ethics in practice. The involvement of stakeholders triggers codes that are perhaps less specific, but at the same time share a high degree of compliance likelihood.

To move beyond an active stance towards codification, however, perhaps more confrontational stakeholder involvement is needed. The two firms in the sample that have gone furthest in specificity and compliance in their international chain responsibilities (Ikea and British Petroleum) have followed two different roads to achieve this. IKEA (Swedish in origin, but headquartered in the Netherlands) is the example of a ‘lean manufacturer’; it has few own factories, but around 1600 production suppliers, mostly from low-wage countries. This lean supply structure triggered protest campaigns of political parties and NGOs, thus affecting its reputation. As part of a bridging strategy, IKEA negotiated an IFA

with the International Federation of Building and Wood Workers (IFBWW) in 1998 which combines its strategic need for external control over its (independent) suppliers and its ethical desire to 'do the right thing'. As a consequence, IKEA IFA includes the whole supply chain with approximately 1 million workers. Since 1998, IKEA has revised its code several times, for instance in 2001 'The IKEA Way on Purchasing Home Furnishing Products (IWAY)' became part of a new IFA. IWAY includes external verification mechanisms and IKEA and IFBWW established a joint committee to discuss the progress on the implementation of IWAY.

The case of British Petroleum is an illustration of the process how chain liability can turn into chain responsibility – in particular when the liability issue is located in a developed country (not in an anonymous place somewhere down the supply chain). In 2005 a major industrial accident occurred at a BP refinery in Canada in 2005 which involved major oil spills and severe health risks for the involved employees. The incident cost the CEO of BP his position and meant a major blow to the reputation of the company. As a result *'478 employees and contractors were dismissed for unethical behaviour or non-compliance with applicable laws or regulations. The main reasons for dismissal were safety and security breaches and incidence of theft and misuse of company property'* (BP Sustainability report 2005). Without an IFA BP nevertheless became the most pro-active firm of the whole sample. Next to concrete safety and health measures, a code of conduct was introduced in which health and safety requirements were integrated, sanctions were imposed and monitored by independent auditors.

Conclusions and implications

This study showed how firms are trying to implement concrete strategies towards their international supply chain, using occupational health and safety as empirical focus. The typology of CSR strategies enabled a differentiation in four codification and ethical approaches. The empirical differences between the various approaches could be explained by the degree of organised stakeholder involvement, which proved to be strongly linked as well to the country of origin and its legal and ethical culture. Codes with the greatest implementation likelihood

can generally be found in firms originating from Europe, which is also the continent with the largest number ratifiers to the basic ILO conventions on OSH. So there is a relationship between home country regulation and international supply chain strategy. How this mechanism exactly works in practice (and in actual operations in different locations around the world, including developing countries) remains an area for further research, preferably also for a larger sample of firms.

An interesting finding from our study is that the involvement of stakeholders in the codification process is accompanied by less specificity of codes but also by higher scores on compliance. There thus seems to be a balancing act between these two, as illustrated by the differences between IFAs and MNE codes. While international framework agreements scored lower on specificity, hinting at the fact that they served more as minimum (general) standards, they performed better in terms of compliance. IFAs more often involve independent monitoring actors such as works councils and international trade unions rather than internal (company) monitoring. For firms this means that IFAs as such may help to create credibility in this way. How this works out in different country contexts, where there are different notions of the (desired) role of trade unions, would be worthwhile to study in more detail.

Another area for further research requires a more detailed study of specific supply chain strategies. It might be investigated whether the OSH scores found in this article depend on the strategic position that firms occupy in their respective international chains. The higher the degree of vertical integration the more the codification process becomes a company-internal affair, which is bound to affect the nature of OSH codes. Managerial perceptions of supply chain responsibility versus liability may also play a role here, and are thus worth considering as well. Tendencies related to off shoring/outsourcing are also affecting vulnerability (and liability) to OSH issues, so the number of employees under (in)direct control of MNEs and coverage of codes deserve further attention.

Finally, it has been clear from the literature that not only the nature of the home country regime of the corporation – legal as well as institutional in terms of stakeholder relations – is of influence to the operationalisation of OSH codes. The host

regime also determines the room of manoeuvre for MNEs in operationalising OSH codes. More sophisticated supply chain models could portray the host countries in more detail: for instance whether they have ratified basic ILO conventions and the extent to which they are capable of imposing their own laws upon the MNE. The difference in governance quality – perhaps elaborated as ethical instead of cultural distance – between the home and host country

could provide a measure of the moral space available to MNEs in implementing an own OSH approach.

Acknowledgement

The authors would like to thank Dolf Bruins for data collection and research assistance.

Annex

Company sample

Sector/industry	Base group ($N = 30$) MNEs with IFAs	Benchmark group ($N = 38$) Top 5 largest MNEs per sector
1. Food processing/retail/agriculture/dairy	Danone Ikea Carrefour Chiquita Fonterra H&M	Carrefour Nestle Metro Tesco Kroger
2. Oil/petroleum	Statoil Lukoil	ExxonMobil Royal Dutch Shell BP Chevron ConocoPhillips
3. Chemicals	Freudenberg Rhodia	BASF Dow Chemical Bayer Dupont Mitsubishi Chemical
4. Construction/building materials/engineering	Hochtief Skanska Ballast Nedam GEA Impregilo Veidekke Lafarge Group Royal BAM Group	Saint Gobain Bouygues Vinci Lafarge Group CRH
5. Metal/steel	Indesit (Merloni) Prym Arcelor	Arcelor Nippon Steel Mittal Steel JFE Holdings Norsk Hydro
6. Auto/automotive	Volkswagen DaimlerChrysler Renault BMW Röchling PSA Peugeot Citroën	General Motors DaimlerChrysler Toyota Motor Ford Motor Volkswagen

Annex continued

Sector/industry	Base group (N = 30) MNEs with IFAs	Benchmark group (N = 38) Top 5 largest MNEs per sector
7. Paper	Norske Skog SCA	International Paper Weyerhaeuser Stora Enso
8. Mining	Anglogold	BHP Billiton Anglo American RAG Rio Tinto Group EnCana

Source: International Metalworkers' Federation, Fortune Global 500 (2006 ranking).

References

- Adams, J. S., A. Tschian and T. Shore: 2001, 'Codes of Ethics as Signals for Ethical Behaviour', *Journal of Business Ethics* **29**(3), 199–211.
- Andriof, J. and M. McIntosh (eds.): 2001, *Perspectives on Corporate Citizenship* (Greenleaf Publishing, Sheffield).
- Bruins, D.: 2006, *Transnational Corporations and Occupational Safety and Health*, MA thesis, Rotterdam.
- Carasco, E. and J. Singh: 2003, 'The Content and Focus of the Codes of Ethics of the World's Largest Transnational Corporations', *Business and Society Review* **108**(1), 71–94.
- Carroll, A.: 1979, 'A Three Dimensional Conceptual Model of Corporate Performance', *Academy of Management Review* **4**, 497–505.
- Carter, C.: 2000, 'Ethical Issues in International Buyer–Supplier Relationships: A Dyadic Examination', *Journal of Operations Management* **18**(2), 191–208.
- Carter, C. and M. Jennings: 2002, 'Social Responsibility and Supply Chain Relationships', *Transportation Research Part E* **38**, 37–52.
- Donaldson, T. and T. Dunfee: 1999, *Ties that Bind: A Social Contract Approach to Business Ethics* (Harvard Business School Press, Boston).
- Emmelhainz, M. A. and R. Adams: 1999, 'The Apparel Industry Response to "Sweatshop" Concerns: A Review and Analysis of Codes of Conduct', *Journal of Supply Chain Management* **35**(3), 51–57.
- Habermas, J.: 1990, *Moral Consciousness and Communicative Action* (MIT Press, Cambridge, MA).
- International Labor Organization: 2005, *Decent Work – Safe Work*. Orlando.
- Kaptein, M.: 2004, 'Business Codes of Multinational Firms: What do they Say?', *Journal of Business Ethics* **50**(1), 13–31.
- Kaptein, M. and J. Wempe: 2002, *The Balanced Company. A Theory of Corporate Integrity* (Oxford University Press, New York).
- Kolk, A. and R. van Tulder: 2002, 'Child Labor and Multinational Conduct: A Comparison of International Business and Stakeholder Codes', *Journal of Business Ethics* **36**, 291–301.
- Kolk, A. and R. van Tulder: 2005, 'Setting New Global Rules? TNCs and Codes of Conduct', *Transnational Corporations* **14**(3), 1–17.
- Kostova, T. and S. Zaheer: 1999, 'Organizational Legitimacy Under Conditions of Complexity: The Case of the Multinational Enterprise', *Academy of Management Review* **24**(1), 64–81.
- Maignan, I. and D. Ralston: 2002, 'Corporate Social Responsibility in Europe and the US', *Journal of International Business Studies* **33**(3), 497–514.
- Maloni, M. and M. Brown: 2006, 'Corporate Social Responsibility in the Supply Chain: An Application in the Food Industry', *Journal of Business Ethics* **68**, 35–52.
- Mamic, I.: 2005, 'Managing Global Supply Chains: The Sports, Footwear, Apparel and Retail Sectors', *Journal of Business Ethics* **59**, 81–100.
- Michaelson, C.: 2006, 'Compliance and the Illusion of Ethical Progress', *Journal of Business Ethics* **66**, 241–251.
- North, D.: 1991, 'Institutions', *Journal of Economic Perspectives* **5**, 97–112.
- Phillips, R. and C. Caldwell: 2005, 'Value Chain Responsibility: A Farewell to Arm's Length', *Business and Society Review* **110**(4), 345–370.
- Post, J.: 1979, 'The Corporation in the Public Policy Process – a View Towards the 1980s', *Sloan Management Review* **21**, 45–52.
- Post, J., A. Lawrence and J. Weber.: 2002, *Business and Society* (McGraw Hill, Boston, MA).

- Preuss, L.: 2001, 'In Dirty Chains? Purchasing and Greener Manufacturing', *Journal of Business Ethics* **34**, 345–359.
- Roberts, S.: 2003, 'Supply Chain Specific? Understanding the Patchy Success of Ethical Sourcing Initiatives', *Journal of Business Ethics* **33**, 159–170.
- Singh, J. B.: 2006, 'A Comparison of the Contents of the Codes of Ethics of Canada's Largest Corporations in 1992 and 2003', *Journal of Business Ethics* **64**(1), 17–29.
- Snir, E.: 2001, 'Liability as a Catalyst for Product Stewardship', *Production and Operations Management Society* **10**(2), 190–206.
- Sobczak, A.: 2006, 'Are Codes of Conduct in Global Supply Chains Really Voluntary? From Soft Law Regulation of Labour Relations to Consumer Law', *Business Ethics Quarterly* **16**(2), 167–184.
- Swanson, D.: 1995, 'Addressing a Theoretical Problem by Reorienting the Corporate Social Performance Model', *Academy of Management Review* **20**(1), 43–64.
- Van Tulder, R. and A. Kolk: 2001, 'Multinationality and Corporate Ethics: Codes of Conduct in the Sporting Goods Industry', *Journal of International Business Studies* **32**(2), 267–283.
- Van Tulder, R. with A. van der Zwart: 2006, *International Business-Society Management: Linking Corporate Responsibility and Globalisation* (Routledge, London).
- Wartick, S. and P. Cochran: 1985, 'The Evolution of the Corporate Social Performance Model', *Academy of Management Review* **10**(4), 758–769.
- Wood, D.: 1991, 'Corporate Social Performance Revisited', *Academy of Management Review* **16**(4), 691–718.

Rob van Tulder and Jeroen van Wijk
Department of Business-Society Management,
RSM Erasmus University,
Burgemeester Oudlaan 50, 3062 PA, Rotterdam,
The Netherlands
E-mail: rtulder@rsm.nl

Ans Kolk
University of Amsterdam Business School,
Amsterdam, The Netherlands