

Corporate Social Responsibility in Multinational Companies: Management Initiatives or Negotiated Agreements?

Tony Edwards¹, Paul Marginson², Paul Edwards², Anthony Ferner³,
Olga Tregaskis³

February 2007

- 1 – Department of Management, King's College London
- 2 – Industrial Relations Research Unit, Warwick University
- 3 – Leicester Business School, De Montfort University

Contact Details

Tony Edwards
Department of Management
King's College
150 Stamford Street
London
SE1 9NN
UK
+44 20 7848 4092
tony.edwards@kcl.ac.uk

Paul Marginson
IRRU
Warwick Business School
University of Warwick
Coventry
CV4 7AL
UK
+44 24 7652 4272
Paul.Marginson@wbs.ac.uk

The paper is based on an ESRC funded research project that is examining the nature of employment policies and practices in multinational companies in the UK [Award Ref: Res-000-23-0305]. We are extremely grateful to Duncan Adam for thoughtful and careful assistance with the analysis.

Introduction

The controversies surrounding the process of globalisation have raised concerns that multinational companies (MNCs) might be pursuing profit at the expense of vulnerable workforces, environmental degradation and so on. In response to such concerns, MNCs have increasingly taken steps aimed at demonstrating their social responsibility as business organisations. One prominent development has been the elaboration and adoption of a code of conduct concerning corporate social responsibility (CSR), which Crouch (2006) sums up as the approach 'by firms that voluntarily takes account of the externalities produced by their market behaviour'. Some observers stress the role of CSR codes in guiding employee behaviour in ways that are compatible with the image of the firm that senior managers want to convey (Aaronson and Reeves, 2002), while others stress the way that they help MNCs to achieve a degree of legitimacy in the eyes of those outside the organisation (Diller, 1999). Thus such codes appear to be a principal way in which MNCs seek to achieve a degree of consistency across their operations and a degree of legitimacy in their external environment.

One important distinction between different types of CSR codes is whether they are 'internal' in that they are targeted at management and employees of the firm itself, or 'external' in that they are targeted at outside groups such as suppliers, or both (Bondy et al., 2004). In this paper, we consider internal codes that cover the international operations of MNCs and we address two main aspects. The first of these concerns the incidence of CSR codes. Are they generally widespread amongst MNCs? Or are they more likely to be found in some types of multinational than others? If the latter, what are the main characteristics that make a multinational more likely to have a CSR code? The second question concerns the impact of CSR codes on employment practice. While optimistic observers see great scope for CSR to promote a more enlightened form of capitalism, avoiding the worst examples of labour exploitation, their more pessimistic counterparts see CSR as having no teeth, doing little to affect

working conditions. Two features of CSR codes are likely to have a bearing on their actual impact: whether they are mandatory or advisory in nature, along with the mechanisms put in place to monitor implementation; and whether they are instigated by management alone or negotiated with trade unions and/or employee representatives. Where codes are negotiated we might expect employment issues to be covered more extensively and in greater depth than when they are drawn up unilaterally. Also, when codes are negotiated managers are more likely to be monitored by employee representatives to ensure that the code's provisions operate in practice.

Using data from a new survey of MNCs in the UK, we show that the incidence and character of CSR codes are shaped by several structural characteristics, including sector, company size, nationality and key aspects of the HR function. The impact of the structural factors differs markedly in explaining the incidence of CSR codes on the one hand and whether they are negotiated or not on the other. The paper is structured as follows. The next section reviews some of the relevant literature on the issue of CSR in MNCs; given the scale of the literature, this review is necessarily selective. The key aspects of the survey and the approach used in this paper are established in the third section and the main findings are presented in the fourth. The findings are discussed and conclusions drawn in the final section.

Literature Review

The literature on CSR is vast. Much attention has been devoted to such issues as whether CSR codes tend to arise from either 'ethical' or 'economic' considerations (Windsor, 2006) and whether they are 'punitive' in that there are sanctions for non-compliance (Bondy et al., 2004). In this section we do not try to review all of this but rather focus, firstly, on the limited literature relating to whether structural factors influence the incidence and form of CSR codes in

MNCs and, secondly, on the evidence concerning the extent to which these codes are negotiated with employee representatives.

On the first of these issues, there is some limited evidence suggesting that CSR codes are more common in some nationalities of MNCs than others and that the country-of-origin also affects the character of the codes. For example, Bondy et al. (2004) investigated CSR in British, German and Canadian MNCs. They demonstrated that the codes in British MNCs partly reflect corporate governance requirements associated with listings on the London Stock Exchange. More speculatively, they argued that another aspect of a distinctively British approach to CSR was for the codes to be less prominent on the companies' websites than was the case for the other nationalities, attributing this to the priority given to 'shareholder value' over 'social responsibility' in the UK. In German MNCs they argued that a home country effect showed up in the distinctive emphasis on 'sustainability' in their CSR codes and that there was little evidence of German firms becoming more 'Anglo-Saxon' in this area. However, the results for Canadian firms did not produce a clear home country effect, or at least not the 'Anglo-Saxon' effect the authors anticipated. In short, their findings hinted at home country effects, but the analysis was heavily constrained by the method (information available on the firms' web-sites) and the small sample size (25 per country).

Country of origin effects are also apparent in van Tulder and Kolk's (2001) study of sportswear manufacturers. They investigated the substance of CSR codes in six MNCs: two American firms, Nike and Reebok, both of which had a code; two German firms, Adidas and Puma, with only the latter having a code; and two Japanese firms, Mizuno and Asics, of which only the former had a code. The authors argued that 'the American companies were much quicker in adopting corporate codes of conduct', with the form of these codes being influenced by the support of the US government for the 'Apparel Industry Partnership'. The American firms were also distinguished by the considerable information

concerning CSR that was publicly available. In contrast, firms of the other nationalities 'followed different routes' (p268). For example, the preference among German firms for working in concert with other firms showed through in Adidas rejecting a corporate code in favour of striving for an industry-wide code. One doubt about this, as the authors note, is that differences between the firms may be more about their size and prominence than about nationality. For instance, the leading market position of Nike and Reebok may be the main reason why they were at the forefront of devising CSR codes; if Asics had been a market leader then maybe it too would have been a CSR pioneer. Overall, then, the evidence of a home country effect here is limited.

What does the literature tell us about the labour content of CSR codes? Bondy et al (2004) present some data on the employment dimension of the codes they looked at. 'Workplace issues', defined as those provisions that seek to 'influence employee behaviour', were most common in Canadian MNCs, being mentioned in the web-based version of the codes in 37% of firms in this category. In contrast, they feature in only 16% of British and 11% of German MNCs. Another issue was 'labour issues/worker rights', but this was mentioned by only 3% of the British, 2% of the German and none of the Canadian MNCs. The results here are ambiguous: some variation by nationality was evident on the first of these issues, but the results do not constitute convincing evidence of a country of origin effect. In particular, the lower prominence of workplace and labour issues in the codes of German MNCs is not what analysis of the home country business systems might lead one to expect. As noted above, the major reservation here is that this analysis was based only on what is mentioned on the firms' websites; failure to mention labour issues or workers' rights in this format does not mean that they definitely do not feature in the codes.

Frenkel's (2001) study of CSR codes in two American sportswear manufacturers in China found that the codes had some impact on employment relations, albeit limited. The employment relations practices and climate in the four factories of

the two firms went with the grain of the prevailing pattern in the Guangdong province where the sites were located, but with differences being apparent in the greater likelihood that labour standards would be upheld and in a 'more human resource oriented approach to employees' (2001: 558). He argued that the impact was conditional on the media attention and associated public concern that had been in evidence prior to his fieldwork. As he put it: 'For the codes to be effective in times when the weight of adverse public opinion is less influential, institutional supports in the form of labour law enforcement, some kind of legitimate, independent workers' institution, and procedures for skill enhancement, will be necessary' (2001: 558). This raises the issue of what form the "legitimate, independent workers' institution" might take. Frenkel probably had in mind national and local structures of independent employee representation, including trade unions. Another possibility, which is addressed in this paper, is to anticipate that codes might be enforced where they have been negotiated with an international structure representing workers' interests, either an international trade union federation (IUF) or European (or worldwide) works council (EWC or WWC) under an agreement which provides for joint monitoring of implementation. It is this second possibility that is addressed in the empirical analysis of the paper.

A growing number of MNCs have been concluding transnational agreements or codes of conduct addressing basic labour rights and core labour standards with either IUFs or EWCs. Estimates suggest that by mid-2005 IUFs – either global or regional – had concluded so-called 'international framework agreements' with around 50 MNCs (Hammer, 2005). Of the 53 joint contexts and framework agreements concluded by EWCs with multinationals by the end of 2005, 19 cover basic labour rights and core labour standards – issues which are central to the CSR agenda (EWCB, 2005a). In sixteen of these cases, EWCs are co-signatories with IUFs. In a further three cases, the EWC is the sole signatory (Ford, Lyonnaise des Eaux, Vivendi). In some cases where IUF's are sole signatories, as in Arcelor's 2005 global agreement, the EWC has a specified role

in the implementation and monitoring of the agreement's provisions. In addition, a handful of agreements addressing CSR issues have been concluded by world works councils (with IUFs as co-signatories), including DaimlerChrysler and VW (Müller et al., 2005). MNCs based in France, Germany and the Nordic countries are prominent amongst those signing agreements with IUFs and/or EWCs/WWCs. The sectoral spread is quite wide and the size of the MNCs involved varies from under 5,000 employees worldwide to over 250,000 (EWCB, 2005a; Hammer, 2005).

Evidence on the motives of management in what remains a minority of MNCs to seek a jointly agreed approach to CSR is scarce. However, findings from the limited number of interview studies undertaken suggest two main sources of motivation (Marginson, 2006). The first relates to legitimation: management may see advantages in reaching an agreed code in terms of the additional legitimacy for a policy that employee representatives' consent or approval can bring. Further legitimacy comes from the linking of IFAs to multilateral instruments such as ILO Conventions, the principles of the UN's Global Compact and the OECD's Guidelines on MNCs (Hammer, 2005). The second is the capacity of trade unions, and non-governmental organisations, to bring international pressure to bear on management over company practices and those of its suppliers.

Concerning the nature of joint texts and framework agreements, Hammer (2005) distinguishes between IFAs which address basic collective rights, such as rights of trade unions to access and organise amongst local workforces ('rights agreements') from those which address substantive standards ('bargaining agreements'). Agreements falling under the second category – which include almost all those concluded with EWCs/WWCs – also tend to address rights issues; some also contain extensive procedural provisions. In terms of the voluntary regulation which they introduce, IFAs vary in their degree of 'softness' or 'hardness' or, put another way, the extent to which they are intended to be binding on the signatory parties and on management and employee

representatives within the different international operations of the company. The provisions of some CSR agreements are mandatory, whilst others are advisory. The application of some, but not all, extends up the supply chain, with such application also varying between mandatory and advisory (Hammer, 2005). A key feature differentiating those agreements which are mandatory from those which are advisory is the nature and extent of any monitoring of implementation that the agreement provides for (including up the supply chain).

In sum, there are evidently significant gaps in the literature concerning the questions at the heart of this paper. On the first of the two questions, the evidence concerning the prevalence of CSR suggests that such codes are widespread, but is this really the case? Moreover, the influence of such structural factors on the incidence of CSR, such as the nationality of the parent firm, is patchy and ambiguous. Similarly, the role of sector is also poorly understood, with much of the evidence relating to those sectors in which we might expect CSR to be most common, such as sportswear, and where the evidence stems from MNCs across sectors this has not tended to form a major basis of comparison. In relation to the second issue concerning the influence of CSR on employment relations, there is clearly some evidence that there are a growing number of CSR codes that are negotiated in MNCs, but are these just a few isolated cases or is it now a significant phenomenon? If the latter, can we point to structural factors that explain the incidence of negotiated codes? We are able to shed some light on these questions and in the next section we chart the way in which we have sought to do this.

Method and data

The data analysed in this paper are drawn from a new survey of MNCs in the UK which we believe to be the first of its kind to be based on a truly comprehensive population listing. The survey is documenting the variety of employment practices among MNCs and is exploring the levels at which decisions on these issues are

determined, how practices are transferred across borders and how policies are monitored and enforced by higher organisational levels.

A substantial amount of preparatory work established listings of two populations, one of foreign-owned MNCs employing at least 500 people worldwide and at least 100 in the UK and the other of UK-owned MNCs which have at least 500 worldwide and at least 100 outside Britain. This produced a combined listing of 3099 MNCs in the UK. The construction of these listings involved the use of multiple databases and laborious case-by-case consideration of individual companies, thereby avoiding the dangers of relying on only one database (see Edwards *et al.*, 2006).

The survey took the form of a telephone interview with a respondent who has responsibility for (or knowledge of) HR in the UK. These interviews enabled a check to be made of the details in the initial listing, particularly the size and nationality of the firms, and an attempt to resolve the problem of incomplete information. More substantively, the interviews gathered new data concerning key aspects of the firms, such as: the sector they operated in; the nature of HR representation on the main management board; the extent of autonomy enjoyed by HR managers at national level; reporting relationships between this group and those at corporate HQ; and the existence and nature of a code on corporate social responsibility.

Contact was sought with all 3099 firms. More than one-third of these dropped out of the survey, either because they were in fact smaller than the specified size limits, because it transpired that there were two subsidiary or intermediate companies belonging to the same ultimate controlling company or because the firm had closed down or been taken over. This brought the listing down to 2,148 companies. Of these, 718 were contacted but refused to participate and a further 43 initially agreed to participate but did not complete the questionnaire. In a further 456 cases contact was made with the company on several occasions but

not with the potential respondent. In 28 cases an interview took place but turned out to be unusable, either because the interview was not completed or because the data were clearly unreliable.

The survey generated 903 useable interviews. In 238 cases the respondent was deemed to be too junior to answer the full questionnaire and so a shortened version, focusing on the size and nationality of the firm, was used instead. The 'full' questionnaire was completed by 665 respondents, all of whom had a job title of HR/Personnel Director, Senior Manager or Senior Officer (or another title that was seen by the respondent as equivalent to these). It is these cases that form the dataset on which this paper is based.

The interviews covered three aspects of CSR. First, respondents were asked whether the UK operation was covered by a code on corporate social responsibility and, if so, whether this code was international in scope or restricted to the company's UK operation only. Those with CSR codes were then asked two further questions: whether the status of the code was mandatory, advisory or mandatory in some parts and advisory in others; and whether the code was negotiated with an international trade union organisation or European Works Council.

The survey also asked about the country (or region) of origin of companies; the broad sector in which the company operated in the UK (manufacturing; services; other) and two measures of employment size – number of employees in the UK and number of employees worldwide. Further questions asked about the HR function and approaches to the management of HR in the UK operation of companies (see Appendix for definition of variables used in the subsequent analysis).

Findings

The section starts by presenting the survey's findings on the existence and nature of CSR codes. It then introduces the logistic regressions undertaken to assess the structural determinants of a) the existence of codes and b) whether or not they have been negotiated, by reviewing the independent variables to be included in the regressions. Finally, findings from the two sets of regressions are reported.

The existence and nature of CSR codes

476 of the 665 companies, or 72%, reported that their UK operation was covered by a CSR code. Of these, codes in 384 companies (58%) were international in scope whilst in the remaining 92 (14%) the code was restricted in scope to the UK operation only.

In examining the nature of CSR codes, we were particularly interested in those codes which were reported to be international in scope (384 cases). The top panel of Table 1 shows that over 85 per cent of these codes had a mandatory element, with roughly equal proportions of international codes being either mandatory in the entirety or mandatory in some parts but advisory in others, while 14 per cent of codes were purely advisory in nature. The extent to which codes are mandatory is significantly related to worldwide employment size: MNCs with codes which were mandatory in their entirety were on average larger than those with codes which were mandatory in parts and advisory in others, which in turn were on average larger than companies with codes which were advisory only. No clear differences were evident between MNCs in the manufacturing, other production and service sectors. In terms of country-of-origin, US MNCs were the most likely to have codes which are mandatory, whereas Japanese companies were the least likely.

The bottom panel of Table 1 shows that one in five of the MNCs concerned reported that the code had been negotiated with an international trade union organisation and/or a European Works Council. Codes which were negotiated

are significantly more likely to have mandatory status, than those which are not (chi-squared = 5.10, df = 2, p = .078). 46 per cent of the codes which were negotiated were mandatory in their entirety, a further 47 per cent were mandatory in parts whilst just 7 per cent of negotiated codes were purely advisory in nature. The corresponding proportions amongst codes unilaterally introduced by management were 41 per cent, 42 per cent and 17 per cent, respectively. The structural influences accounting for variation in the incidence of negotiation are examined in the regression analysis reported below.

Estimation

Two sets of logistic regressions were undertaken to examine the structural influences on a) the existence of an international CSR code and b) whether international CSR codes were negotiated with an international trade union organisation and/or European Works Councils. Each of the structural factors, and their expected influence on the two dependent variables, are considered in turn below.

Country of origin. Companies were categorised into nine different groupings, according to country or region of origin: the US, the UK, France, Germany, the Netherlands, the Nordic countries, the rest of Europe, Japan and the rest of the world. For reasons discussed in the literature review, companies headquartered in the US and UK 'outsider' systems of corporate governance are expected to be more likely to have CSR codes, partly to counter the perception that firms in these countries only respond to the wishes of shareholders. In contrast, companies from continental Europe and Japan, whose 'insider' systems of corporate governance accord significant rights to other stakeholders, are expected to be less likely to have such codes. CSR codes are, however, expected to be more likely to be negotiated amongst MNCs based in continental Europe than amongst their US- and UK-based counterparts, in the light of relatively stronger traditions of co-management in the former.

Sector. Three broad industrial sectors were identified: manufacturing, other production and services. The location of operations in developing countries which are part of production networks which source goods and services for the markets of the industrialised countries is more advanced in the manufacturing than service sectors, notwithstanding the growth of 'offshoring' to low cost locations of certain types of activity by service sector MNCs. International CSR codes can therefore be expected to be more widespread amongst manufacturing than service sector companies. In general, trade union organisation is also stronger in manufacturing (and in other production) than in services; hence it is expected that CSR codes are less likely to be negotiated in service sector MNCs.

Size. Larger multinationals, in terms of their worldwide employment, tend to be more prominent, and for this reason alone can be expected to be more likely to have a CSR code than smaller MNCs. For the same reason, but also given that international trade union networks are stronger and a European Works Council more likely to have been established, codes are expected to be more likely to have been negotiated in larger as compared to smaller MNCs. The size, in employment terms, of the UK operation is also included in the analysis, although we have no prior expectations about its likely impact.

HR autonomy. Respondents were asked whether the UK operation of the company had autonomy in decisions over HR policy. It is expected that MNCs where HR policy is determined to some extent by a higher level of international management (either global, regional or international business) are more likely to be covered by an international CSR code than those companies where the UK operation has autonomy over HR policy. Where a code exists, no effect is anticipated on whether or not it has been negotiated.

HR representation on the main board. Companies were asked whether the HR function was represented on the main board, and if not whether there was HR representation at senior management level immediately below the main board.

HR representation on or near the main board may reflect the prominence given to employment issues within a company, and more generally to a company's social responsibilities. It may also provide an advocate of such issues among top management. Accordingly, MNCs without HR representation on or near the main board are expected to be less likely to have an international CSR code than companies which do have such representation.

Missing values, especially on the worldwide employment size variable, reduced the effective sample size for the logistic regression analysis to 490 cases, 308 of which had an international CSR code. The 182 cases that did not have an international code comprised both those who did not have a code of any sort and those that one that was only covered the UK operations. The structural variables, and their mean values for the 490 cases used in the regressions, are summarised in Table 2.

Results

Considering the existence of an international CSR code, the structural variables were entered into the regression in two blocks – country-of-origin, sector and employment size; and then the two HR variables. The findings are reported in Table 3, where model 1 indicates the results from including the first block of variables and model 2 those from then adding the second block.

Both regression models are robust. The chi-squared statistic for both models 1 and 2 is significant at the 1% level. Moreover, the addition of the second block of (HR) variables in model 2 contributes to the overall explanatory power of the regression, as indicated by the step chi-square statistic. The addition of the second block of variables also increases the Nagelkerke R^2 from .117 to .164. Hence our preferred regression is model 2.

The Beta coefficients indicate that several of the structural variables are significantly associated with the presence of an international CSR code. The

odds ratios indicate the relative magnitude of these effects. For example, taking sector the odds ratio for 'services' indicates that the odds of there being an international CSR code are a little over half of that for an MNC in manufacturing (the reference category), a difference which is significant at the 1 per cent level. For MNCs in 'other production', the odds of there being an international CSR code are a little under half of that for a manufacturing MNC, a difference which is significant at the 10 per cent level.

Significant differences are evident according to MNCs' country-of-origin. MNCs headquartered in all other countries are less likely to have an international CSR code than their US-based counterparts. In the case of the four categories that are part of mainland Europe - France, Germany, the Nordic countries and Rest of Europe - the differences are significant and the odds of the being an international CSR code are less than one-half those for US MNCs. Firms in the Rest of the World category are also significantly less likely than American firms to have a CSR code. In model 1, the difference for Japanese-based companies was also significant, though this loses its significance in Model 2. The odds of UK companies having a CSR code are also less than for US MNCs, but the magnitude of the difference is rather less than for the other categories and the difference is not significant. Subsequent analysis of the data relating to CSR codes reveals that those only covering the UK demonstrated a further nationality effect, namely that these were most common in MNCs from those countries or regions significantly less likely than the Americans to have a code that was international in coverage. This suggests that managers in these firms have sought to go with the grain of the British system by adopting a code in a country in which they are widespread.

Larger firms, as measured by both measures – worldwide and UK employment size – were more likely to have CSR codes, though not significantly so. In respect of the HR variables, MNCs in which the national operations were not autonomous from higher levels are significantly more likely to have a CSR code.

The representation of the HR function on the main management board of the multinational was also significantly and positively associated with an international CSR code.

In sum, the results of the regression analysis reveal that CSR codes were most common in American, manufacturing firms in which the national operations were not autonomous from higher levels of management on HR issues and HR was represented on the main management board.

Moving to the negotiation of international CSR codes, the findings are reported in Table 4. We tested whether the inclusion of the HR variables increased the overall explanatory power of the regression reported in the table, but the step chi-squared significance indicated that it did not, which is consistent with our earlier expectations. Hence our preferred model contains the country-of-origin, sector and size variables only. Small cell numbers required the combination of the cells for 'Japan' and 'Rest of the world' amongst the country-of-origin variables. The chi-squared statistic confirms the overall explanatory power of the regression, which attains significance at the 1 per cent level. The R^2 is .177 Again we present both Beta coefficients and odds ratios.

Significant differences are evident for some of the structural characteristics. Most strikingly, whereas US MNCs are more likely to have an international CSR code than companies based in mainland Europe they are less likely to have negotiated this code with an international body representing employees. In the case of companies based in Germany and the Nordic area the difference is significant. The odds ratio indicates that the magnitude of the difference in both cases is large, with the odds of German companies negotiating a CSR code being more than three times, and those of the few Nordic companies which do have codes being twenty-five times, that of US companies. UK companies and those based in Japan and the rest of the world are less likely than their US counterparts to have negotiated a code, although the differences are not significant.

As expected, MNCs in services are less likely to have negotiated a code than those in manufacturing, although the difference is not significant. Larger multinationals, both in terms of UK and worldwide employment, are also more likely to have negotiated a code, although again neither effect is significant.

In sum, there is a sharp difference in whether international CSR codes are negotiated with an international trade union organisation and / or European Works Councils between US-based MNCs and those based in Germany and the Nordic countries.

Discussion and Conclusion

Our findings indicate that a majority of MNCs in the UK are covered by a CSR code. This code is international in scope in just over four out of every five cases, with codes in the remaining one in five being confined in their scope to the UK operations only. International codes are most likely to be found in firms in manufacturing, those of US origin and those which offer the UK operation little autonomy in determining policy on HR matters. Conversely codes are least likely to be found in service sector companies, amongst MNCs based in continental Europe and Japan, and in companies where the UK operation has considerable discretion over HR policy. One in five MNCs with CSR codes report that the code was negotiated with an international trade union organisation and/or European Works Council; a minority but one that is perhaps surprisingly large. In terms of country-of-origin, those MNCs which are the most likely to have a code are the least likely to have negotiated it – US companies – whereas those MNCs which are the most likely to have negotiated a code – German and Nordic firms – are amongst the least likely to have a code in the first place.

The finding that American MNCs were those most likely to have a code is consistent with the limited literature on this issue reviewed above. One

interpretation of this is that firms in the US have developed CSR codes in order to demonstrate that they are concerned about issues of social responsibility, and are not solely focused on producing short-term returns for shareholders. In contrast, the established rights of a range of stakeholders in many mainland European countries means that companies face less intense pressure to formally articulate their 'socially responsible' approach. The further finding that American MNCs are much less likely to have negotiated their codes with employee representatives than Nordic and German firms is also consistent with a national governance effect. The relative weakness of trade unions, together with the absence of established rights of 'employee voice' in the form of consultation and co-determination over business as well as employment relations matters in the US, compared to the relative strength of trade unions in the Nordic area, especially, and Germany and the presence in both of strong systems of employee consultation and co-determination, underpins different management norms towards the desirability of securing the formal agreement of workforces.

The findings on the influence of sector also make intuitive sense. It is highly plausible that whether a multinational sees a need to have a CSR code is shaped by characteristics of the sector, such as how visible companies are in the eyes of consumers, the extent to which they trade on a brand name and the extent to which their supply networks encompass firms in developing nations. We expected these factors to make MNCs in the manufacturing sector to be more likely to have a CSR code and the data confirmed this. On the issue of whether the code is negotiated or not, we speculated that the strength of union organisation in manufacturing would make MNCs in this sector more likely to negotiate their code. While the difference was in the direction we expected, it was not statistically significant. However, our treatment of sector only allowed a distinction to be made between broad sectors. It would be useful to be able to explore variations between, say, food manufacturing and pharmaceuticals within the manufacturing sector and between banking and hotels within the services sector. This will be possible in subsequent analysis.

The impact of the employment size of MNCs on the existence of an international code is in line with expectations only to a point. Larger firms are more likely to have a code than are smaller firms. This is probably partly due to their tendency to rely more on formal written policies than smaller firms and partly also because they tend to be more visible to consumers. Larger firms also tend to be more likely to negotiate codes than smaller ones, probably due to the better organisation of unions in larger firms. However, the strong qualification on these observations is that the associations were not statistically significant.

The HR variables threw up patterns which were consistent with the expectations outlined earlier. Concerning our measure of the autonomy of national operations from higher levels of management on HR issues, the results confirm the expectation that CSR codes are more likely to be found in MNCs that are centralised in the management of HR. This suggests that CSR codes are likely to be a part of a range of other corporate-wide policies that impact on employment practice. In relation to the representation of HR on management boards, the results indicate that MNCs with HR directors on the main management board are significantly more likely than others to have a CSR code. This might be interpreted as indicating that HR directors use their positions on such bodies to advance the cause of CSR. Alternatively, it might be that the existence of a CSR code and the representation of HR on the main management board are both symptoms of a particular management style. As we anticipated, neither variable was associated with the negotiated status of CSR codes.

As with many cross-sectional analyses, an important part of the variation between companies on both main variables remained unexplained. It is reasonable to suppose that a range of other factors, such as critical incidents in a firm's development, the influence of key individuals and the bargaining power of organised labour, also play a role in this variation. Getting to grips with these factors would require a different methodological approach. The paper has,

however, clearly established that consideration of 'different capitalisms' matters to both the diffusion of international CSR codes and their provenance as either unilateral or joint initiatives.

Table 1 – Nature of International CSR Codes

<i>Status of code</i>		
	No.	%
Mandatory	168	43.8
Mandatory in parts, advisory in others	160	41.7
Advisory	54	14.1
Don't know	2	0.5
<i>Code negotiated with and international employee representative body</i>		
	No.	%
Yes – negotiated	77	20.1
Not negotiated	222	57.8
Don't know	85	22.1

N = 384

Table 2 – Mean values of structural influences included in regression analysis

Variable name	Description	Mean value
<i>Origin</i>	<i>Country (region) of origin</i>	
US [reference category]		.39
France		.06
Germany		.05
Nordic		.07
UK		.22
Rest of Europe		.09
Japan		.04
Rest of world		.07
<i>Sector</i>	<i>Broad industrial sector</i>	
Manufacturing [reference category]		.49
Other production		.07
Services		.44
UK emp size	UK employment size / 1000	2.706
Worldwide emp size	Worldwide employment size / 1000	24.582
<i>HR autonomy</i>	<i>Autonomy of UK operations over HR policy</i>	
Not autonomous [reference category]		.55
Autonomous		.45
<i>HR board representation</i>	<i>HR representation on or immediately below the main board</i>	
No HR rep [reference category]		.11
HR rep on main board		.61
HR rep below main board		.23
Don't know		.06

N = 490

Table 3 – Logistic Regression Model: Existence of a Code

Independent Variables	Odds Ratios (Model 1)	Beta Co- efficients (SEs) (Model 1)	Odds Ratios (Model 2)	Beta Co- efficients (SEs) (Model 2)
Constant	3.358 ***	1.211 (.209) ***	2.356 **	0.857 (.362) **
<i>Origin - US</i>				
Origin - France	0.329 **	-1.112 (.433) ***	0.345 **	-1.064 (.444) **
Origin - Germany	0.347 **	-1.057 (.459) **	0.425 *	-0.856 (.477) *
Origin - Nordic	0.242 ***	-1.418 (.386) ***	0.261 ***	-1.344 (.395) ***
Origin - UK	0.605 *	-0.503 (.280) *	0.678	-0.389 (.295)
Origin - Rest of Europe	0.336 ***	-1.090 (.351) ***	0.386 ***	-0.953 (.362) ***
Origin - Japan	0.319 **	-1.143 (.477) **	0.503	-0.687 (.506)
Origin - Rest of World	0.479	-0.736 (.379)	0.522 *	-0.650 (.387) *
<i>Sector - Manufacturing</i>				
Sector - Services	0.539 ***	-0.618 (.210) ***	0.542 ***	-0.613 (.215) ***
Sector – Other Prod'n	0.504*	-0.685 (.401)	0.465 *	-0.766 (.410) *
UK emp size (unit – 1,000 emps)	1.032	0.031 (.024)	1.027	0.027 (.021)
Worldwide emp size (unit - 1,000 emps)	1.006 *	0.006 (.003) *	1.005	0.005 (.003)
<i>Not Autonomous</i> Autonomous		--	0.531 ***	-0.632 (.207) ***
<i>No HR rep in senior mgt</i> HR rep on Main Board HR rep below Main Board Don't know		--	2.179 ** 1.728 1.300	0.779 (.327) ** 0.547 (.360) 0.262 (.513)
N Model Chi-square Step Chi-square Nagelkerke R ² -2LLR		490 43.759 *** - 11.7% 602.758		490 62.680 *** 18.921 *** 16.4% 583.838

The reference categories are in italics

Levels of significance denoted by stars: * = 10% level, ** = 5% level, *** = 1% level

Table 4 – Logistic Regression Model: Whether the Code is Negotiated

Independent Variables	Odds Ratios	Beta Coefficients (SEs)
Constant	0.306 ***	-1.184 (.274) ***
<i>Origin - US</i>		
Origin - France	1.677	0.517 (.664)
Origin - Germany	3.394 *	1.222 (.679) *
Origin - Nordic	25.689 ***	3.246 (1.088) ***
Origin - UK	0.530	-0.635 (.482)
Origin - Rest of Europe	2.225	0.800 (.514)
Origin - Japan & Rest of World	0.494	-0.705 (.660)
<i>Sector - Manufacturing</i>		
Sector - Services	0.654	-0.425 (.340)
Sector – Other Production	1.258	0.229 (.700)
UK emp size (unit – 1,000 emps)	1.030	0.030 (.022)
Worldwide emp size (unit – 1,000 emps)	1.001	0.001 (.003)
N		251
Model Chi-square		32.024 ***
Nagelkerke R ²		17.7%
-2LLR		250.816

The reference categories are in italics

Levels of significance denoted by stars: * = 10% level, ** = 5% level, *** = 1% level

NB: 54 cases of “don’t know” for the dependent variable were excluded

References

- Aaronson, S. and Reeves, J. (2002) 'The European Response to Public Demands for Global Corporate Responsibility', National Policy Association, available at www.bitc.org/docs/NPA_Global_CSR_survey.pdf
- Bondy, K., Matten, D. and Moon, J. (2004) 'The Adoption of Voluntary Codes of Conduct in MNCs: A Three-Country Comparative Study', *Business and Society Review*, 109, 4, 449-477.
- Crouch, C. (2006) 'Modelling the Firm in its Market and Organizational Environment: Methodologies for Studying Corporate Social Responsibility', *Organisation Studies*, 27, 1533-51.
- Diller, J. (1999) 'A Social conscience in the Global Marketplace? Labour Dimensions of Codes of Conduct, Social Labelling and Investor Initiatives', *International Labour Review*, 138, 2, 99-129.
- Edwards, T., Tregaskis, O., Edwards, P., Ferner, A. and Marginson, P. (2006) 'Charting the Contours of Multinationals in Britain', Working Paper, (available from the authors).
- EWCB (2005a) 'GM, Ford and GE cases highlight EWCs' bargaining role' *European Works Councils Bulletin* Issue 56 (March/April), pp7-13.
- Frenkel, S. (2001) 'Globalization, Athletic Footwear Commodity Chains and Employment Relations in China', *Organization Studies*, 22, 4, 531-562.
- Hammer, N. (2005) 'International Framework Agreements' *Transfer* 11(4), 511-30.
- Marginson, P. (2006) 'Transnational agreements in enterprises: the current state of play' Paper for Colloquium on Transnational Collective Negotiations, Europe et Société, Paris, March 14-15th.
- Müller, T., Platzer, H-W. and Rüb, S. (2005) 'Global Employee Representation Structures in Transnational Companies' in Garibaldi, F. and Bardi, A. (eds) *Company Strategies and Organisational Evolution in the Automotive Sector* Brussels: Peter Lang, pp57-82.
- van Tulder, R. and Kolk, A. (2001) 'Multinationality and Corporate Ethics: Codes of Conduct in the Sporting Goods Industry', *Journal of International Business Studies*, 32, 2, 267-283.
- Windsor, D. (2006) 'Corporate Social Responsibility: Three Key Approaches', *Journal of Management Studies*, 43, 1, 93-114.

Appendix – Questions from which Variables were Derived

CSR Variables

Existence of a Code

Is the UK operation covered by a code on corporate social responsibility?

Yes = 1

No = 0

Coverage of the Code

The code ...

covers all, most or some of the operations of the ultimate controlling company
= 1

covers only the UK company = 0

Status of the Code

What is the status of the code ...

Mandatory = 1

Advisory = 2

Mandatory in some parts, advisory in others = 3

Code Negotiated

Was the code negotiated with an international trade union organisation or European Works Council?

Yes = 1

No = 0

Other Variables

Ownership

Can you confirm that the ultimate controlling company is based in (*name of ultimate controlling company/countries from sample*)?

If no: In which country if the ultimate controlling company based?

Size - UK

Approximately how many employees by headcount does the ultimate controlling company have in the UK?

(Interviewer Note: By headcount we mean all those who work regularly, but excludes those contract and casual staff who work on an occasional basis)

Size - Worldwide

What is the total number of employees worldwide by headcount of the ultimate controlling company of which you are part?

(Interviewer Note: By headcount we mean all those who work regularly, but excludes those contract and casual staff who work on an occasional basis)

Sector

In which economic sector(s) is the UK operations of the ultimate controlling company engaged?

- manufacturing
- services
- utilities and construction
- extraction, agriculture and forestry

Autonomy – for foreign-owned firms

Thinking of the relationship between the UK operation and higher international levels of the company worldwide is the drawing up of HR policy left entirely to the UK operation?

Yes = 1

No = 0

Autonomy – for UK-owned firms

Thinking of the relationship between the yourselves and national operating companies or units around the world, is the drawing up of overall HR policy left entirely to the national operating companies or units?

Yes = 1

No = 0

HR Representation (1)

Turning to the world-wide structure of your company, and thinking of the main board of the ultimate controlling company, is there a member of the board whose main responsibility is HR?

Yes = 1

No = 0

HR Representation (2) – asked to those saying no to HR Representation (1)

Is there a member of the senior executive management body below the main board whose main responsibility is HR?

Yes = 1

No = 0