# Evaluating the Potential Effectiveness of Codes: The Statement Strength Evaluation Method (SSEM)

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ABSTRACT

The increasing popularity and use of codes requires a technique for being able to distinguish how different codes compare to each other and to stakeholder demands for increased social, environmental and economic responsibility of business. This paper presents the statement strength evaluation method (SSEM), which provides organizations with the ability to make comparisons between codes against a backdrop of stakeholder expectations. The SSEM evaluates six critical characteristics for each statement made in the code relating to each appropriate criterion. The criteria were developed through synthesis of a vast range of stakeholder concerns, resulting in 597 unique but overlapping criteria. This level of detail has been retained to ensure accurate comparison between different code types and ranges of content depending on varied contexts such as industry and operating locations (e.g. domestic versus international). A test of the SSEM using 13 third party codes revealed strengths and weaknesses of codes based on structure, and highlighted certain codes as potentially more effective in helping business to govern their CSR objectives. Copyright © 2006 John Wiley & Sons, Ltd and ERP Environment.

## Introduction

CODES ARE INCREASINGLY BEING USED BY ORGANIZATIONS WITHIN THE BUSINESS, NGO AND government sectors to formalize and govern their corporate social responsibility (CSR) commitments. While some authors indicate they are a central tool for business self-regulation (e.g. Wotruba, 1997), Snyder (1999) goes further to suggest that they may in fact be more important than formal regulation, particularly for corporations operating in a transboundary environment, where governments are outside their jurisdiction to regulate and sanction.

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More and more codes are being written and presented as confirmatory evidence of an organization's commitment to CSR principles and practices. Whether this is actually true is largely dependent on the intention of the organizations adopting the code and is not the focus of this paper. This paper is concerned with presenting a consistent analytical framework that will give organizations the ability to look into the plethora of codes and determine which ones merit their attention. Thus, this paper presents the statement strength evaluation method (SSEM), a tool for comparing the potential effectiveness of codes for governing CSR and business ethics issues within organizations.

In practical terms, there are two key factors that determine whether a code will function as an effective tool for CSR governance within a corporation: one, the ability and willingness of the corporation to implement the code, and two, the nature of the code. The first factor is comprised of a wide range of elements such as top management commitment, strategic alignment of the code with operations, financial capabilities and employee values. The second factor is comprised of the characteristics that make up the code itself, in particular the way in which codes are written and the content found within. These characteristics play a key role in the relative effectiveness of the code as a governance tool for CSR within the company. These characteristics also impact how stakeholders perceive the code's credibility and legitimacy, and whether or not they interpret the statements within the code similarly to the corporation. This last point is an important one as it speaks to the expectations that are created between stakeholder groups in dialogue with the company.

Therefore, if a code and its characteristics are critical to the overall effectiveness of a company's CSR governance strategy, it is important for companies to be able to select among different codes for characteristics deemed by a range of stakeholders to be more effective.

This concern over relevant code characteristics is exacerbated by the vast increase in the number of codes being used, as companies struggle to determine the most effective code for them from an ever increasing body of possibilities. In their 2000 survey, Gordon and Miyake of the OECD analysed over 246 codes of conduct from individual companies, industry and trade associations, partnerships of stakeholders and international organizations. Although at that time their study was the most extensive ever conducted on the structure and content of codes of conduct, the authors themselves indicated it was only the tip of the iceberg. Other authors agree that we are seeing an ever increasing number of companies using codes (e.g. Jenkins, 2001; ITGLWF, 2000; OECD, 1999; Aaronson and Reeves, 2002), and that their proliferation is difficult to quantify (Murray, n.d.). Derek Stevenson (2002) articulates this concern by saying '. . . with so many notions of corporate social responsibility around and schemes for evaluation, it's difficult for businesses and those concerned with their impact on society to figure out which pledges, certificates or ratings have any real meaning'.

As companies continue to adopt and implement codes of conduct, and as the conditions for operating in a global marketplace continue to change, there will be a continuing need to evaluate codes for their overall relevance and potential for effectiveness within the current market.

This paper presents a method for evaluating codes based on six different characteristics: tone, type of statement, clarity of language, strength of statement, use of indicators, and overall cover of issues. It begins with a description of how the method was created, followed by a description of its components, and finally presents findings based on a test of the method.

## Methodology

The statement strength evaluation method (SSEM) provides a technique for evaluating codes based on adherence to a detailed list of stakeholder concerns and an analysis of relevant code characteristics in

relation to these concerns. The purpose is to help a wide variety of organizations identify codes with a higher potential to effectively mitigate social, environmental, ethical and economic concerns when implemented within the unique operating circumstances of a particular organization.

## Three Research Elements to Creating the SSEM

An inductive, grounded theory approach (e.g. Sarker *et al.*, 2001; Pandit, 1996; Strauss and Corbin, 1990) is used to collect and analyse the documents used in the study, comprising three research elements prior to creation of the SSEM.

### Element 1

An exploratory literature review (starting in 2001) revealed minimal information available on how to evaluate codes and was subsequently focused on gathering more general information on CSR and codes such as the strengths and weaknesses of codes based on structure, content, practical use, implementability etc. Therefore, literature from a number of sources was collected including academic journals, NGO reports, community associations, practitioner publications and government publications (e.g. Jenkins, 2001; ILO, n.d.; Berenbeim and Muirhead, 2002; United Nations, 1998; Aaronson, 2001). All literature indicating positive or negative aspects of codes were synthesized into a list detailing structural and content concerns believed by the author to impact the effective functioning of codes with regard to CSR issues. As the list was synthesized from a wide range of sources representing multiple stakeholder groups, it forms the basis for the criteria upon which codes and their characteristics are evaluated.

### Element 2

Second, the problem of definitions had to be solved, as the goal was to understand and evaluate codes of conduct and not other types of code. Therefore, definitions of code of conduct, code of ethics, code of practice, professional code, voluntary code and guidelines were collected and refined to determine whether in fact codes of conduct are distinct and if so in what way. A total of 56 non-repeating definitions were found, including four where multiple terms were differentiated. These distinctions are important because of the confusion in both academic and practitioner literature about what a code of conduct is, and how it differs in structure and content from other types of code. For instance, Forcese (1997) uses both code of conduct and code of ethics to refer to the same type of document without any systematic reason for doing so. This research however, clearly indicates both structural and content differences between all types of documents mentioned above, although all clearly overlap to some degree. Table 1 illustrates the clarified and extended definition for code of conduct based on the literature.

### Element 3

Research indicated that little information was available on the issue of evaluating codes of conduct in general. Therefore, all publicly available methods or tools for evaluating or comparing codes were collected, grouped and analysed according to their strengths and weaknesses. This evaluation resulted in the identification of four different approaches to evaluating codes: comparative description, frequency count, statement detail and outcome evaluation.

The *comparative description* approach (e.g. Interfaith Center for Corporate Responsibility, n.d.) relies on the use of a matrix, with the codes being analysed on one axis and targeted CSR issues on the other. The matrix is then populated with the exact text found in the code that relates to the specific CSR issues under examination. Typically few CSR issues are considered and they appeared to be only those relevant to the organization conducting the evaluation, not a larger audience. The *frequency count* approach

| Category | Inclusionary | Exclusionary |
|---|---|---|
| Scope | Code targets corporations or businesses spanning across different industries | Code targets exclusively government, individual business, or individual industry |
| | Written by multi stakeholder group or through multi stakeholder process | Written by individual or group from same area or discipline, with no external input |
| | Provides a benchmark or set of guidelines for a corporation to engage in CSR | Provides no information on CSR or on the commitments expected from external stakeholders |
| | Only the document called the code and those documents referenced in the document as necessary for code use | All information referring to or enhancing the code, but not found in the code document or referenced by it |
| Legislation/regulation | Voluntary (corporation has ability to choose whether to incorporate code of conduct into business, it is not mandated by government acts or regulations) | Regulatory (documents that corporations are legally bound to implement due to government acts or regulations) |
| | Encourages compliance with laws or avoidance of legal sanction | Bases authority on an act or regulation, or part of an act or regulation |
| | Goes beyond legal requirements | Makes no commitments other than to follow the law |
| Statements | States principles or values that the code author believes corporations should adopt | No indication of principles or values |
| | Provides statements to internal and external groups | Provides statements to internal, or professional groups only |
| | Specifies statements providing information to internal and external groups | Provides vague statement to public, or no external statements |
| Behaviour impact | Influences or affects behaviour, systems or structure of an organization | Does not provide information on what or how to affect behaviour, systems or structure of an organization |
| | Includes information on behavioural expectations, more than statement of ethics | Indicates what is right and wrong, without giving any behavioural expectations |
| Content | Discusses social, environmental and economic issues | Discusses only social, environmental or economic issues but not all together |
| Communications | Encourages communicating information to employees and other stakeholders | Information is provided to members of internal group only, or no communication information is provided |
| | Encourages monitoring systems | Does not encourage or mention monitoring systems |
| Format | Visible, formal or written | Not visible, formal or written |

**Table 1.** Operational definition of code of conduct

(e.g. OECD, 1999) tallies the number of times a particular CSR issue is mentioned in the group of identified codes and then makes conclusions about the issues based on the frequency with which they appear. The s*tatement detail* approach looks at the statements made in the code and evaluates them for quantity (e.g. Cressey and Moore, 1983) and in one case (Kolk and van Tulder, 2002; Kolk *et al.*, 1999) some elements of quality. This approach is the most comprehensive and attempts to evaluate codes for their implementability among other things. Lastly, the *outcome evaluation* approach focuses on evaluating the outcomes of code use (e.g. Transparency International, 1997), not on the code itself, and was therefore not used in the analysis.

An examination of the literature on code evaluation and a strengths and weaknesses assessment of the methods and tools found within the three applicable approaches (comparative description, frequency count and statement detail) resulted in a list of 10 elements required to evaluate codes for their overall effectiveness based on the characteristics of the code. The 10 elements were also influenced by two themes that were apparent in much of the code literature: one, codes that are written with clear, specific language are easier to understand and implement, thus making them potentially more effective, and two, codes that indicate behavioural expectations, or specify the intent of the statement, provide clear expectations to all stakeholders, making the code easier to implement and more transparent, thus potentially more effective. The 10 key elements are the following:

1. *Coverage of content (issues)* – due to the wide range of CSR issues that exist for companies depending on such things as their unique operating conditions, industry, the countries in which they operate, where their head office is located etc., the list of issues must be as detailed and comprehensive as possible to allow for evaluation of a wide variety of codes filling a wide variety of governance needs within companies.
2. *Coverage of content (processes)* – process statements relate to implementing, administering, measuring etc. critical processes (such as monitoring/auditing, strategic alignment and complaints). Again, the list of processes available within the method must be as comprehensive as possible to allow for evaluation of codes.
3. *Value judgment of content* – this element encompasses the need to make a determination about how well a code statement meets the criteria based on its characteristics. To do this, a rating scale is required.
4. *Rating scale* – provides a slightly more objective comparison between different code statements by forcing a judgment on whether the statement meets the criteria well, moderately or poorly for example.
5. *Clear definitions for rating scales/well laid out* – each rating scale (and the points on it) must be clearly identified and explained in an effort to minimize differential judgments between different users of the method.
6. *Relative importance of criteria* – provides a mechanism for organizations to differentially weigh certain criteria as meets their unique situation. For instance a high quality statement on protecting human rights might be of more importance to a corporation operating in a war torn country than for one operating in a peaceful nation. According to the literature, independent auditing is seen as a more important process than internal monitoring. Therefore, a non-profit, for instance, may wish to compare codes on their inclusion of monitoring/auditing processes, giving a higher weighting to codes that include statements on independent auditing and a lower rating to those with only statements on internal monitoring.
7. *Description of methodology* – provides a clear indication of how the method is to be used, making it easier for users who are non-experts in codes and/or CSR to use the method.
8. *Description of criterion selection* – clearly indicates how the criteria used in the evaluation were selected and why.
9. *Description of code selection* – when conducting comparative analysis between multiple codes, must clearly indicate which codes were selected and why.
10. *Complexity or detail* – as each corporation faces a variety of CSR issues, some of which are unique to the corporation itself, the method needs to retain as much detail on possible criteria to ensure more accurate evaluation of any single code, also allowing for an evaluation of whether statements mentioned in the code are given sufficient detail as to be easily understood and similarly interpreted between stakeholder groups.

| Key elements in code analysis approaches | Comparative description approach | Frequency count approach | Statement detail approach |
|---|---|---|---|
| 1. Coverage of content – issues | Weak | Moderate | Moderate |
| 2. Coverage of content – processes | Weak | Moderate | Moderate |
| 3. Value judgment of content | None | None | Weak |
| 4. Rating scale for criteria | None | None | Moderate |
| 5. Clear definitions/well laid out | None | None | Moderate |
| 6. Relative importance of criteria | None | None | None |
| 7. Description of methodology | None | Moderate | Strong |
| 8. Description of criterion selection | None | Weak | Weak |
| 9. Description of code selection | None | Moderate | Moderate |
| 10. Complexity or detail | Weak | Moderate | Moderate |

*Table 2.* Summary of code evaluation approaches

To determine whether an effective evaluation tool already existed, each of the three approaches to code evaluation was analysed using the 10 key elements. Table 2 illustrates the need for a more robust evaluation method.

## SSEM Components

Due to the size and detail of the method, it cannot be shown in its entirety. Therefore, Table 3 represents a small data set collected during the testing phase of the SSEM to illustrate three of the four major components that comprise the method: code selection, issue selection and characteristic measurements. The fourth component, scoring mechanism, is illustrated in Table 5. Between the four components, each of the 10 key elements has been included.

## Description of the Four SSEM Components

### 1. Code Selection
Codes meeting the operational definition identified above were divided into three groups (table columns): model, NGO and intergovernmental codes. These three groups were chosen because they reflect codes written in a multistakeholder environment and thus represent a minimum threshold for CSR issues as negotiated through the multistakeholder process. In this way, the SSEM is tested on the basis of minimum necessary requirements in codes as perceived by a wide variety of stakeholders.

*Model codes.*
   1. *Minnesota Principles: Toward an Ethical Basis for Global Business* (Center for Ethical Business Cultures).
   2. *CERES Principles* (Coalition for Environmentally Responsible Economies).
   3. *Global Sullivan Principles of Social Responsibility* (Reverend Leon Sullivan).
   4. *Global Compact: the Nine Principles* (Kofi Annan, United Nations).[1]
   5. *Business Charter for Sustainable Development: Principles for Environmental Management* (International Chamber of Commerce).

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[1] The version of the Global Compact used to test the SSEM was prior to the addition of the 10th commitment on corruption.

| Characteristic measurements | Model codes | | | | | | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | Minnesota Principles: Towards An Ethical Basis for Global Business | | | | | Business Charter for Sustainable Development: Principles | | | | | CERES Principles | | | | |
| | A | B | C | D | E | A | B | C | D | E | A | B | C | D | E |
| **Content criteria** | | | | | | | | | | | | | | | |
| **Environment** | | | | | | | | | | | | | | | |
| Preventative strategies | + | p | 1 | 1 | 1 | + | p | 3 | 1 | 1 | + | p | 3 | 2 | 1 |
| Waste generation, disposal and management | | | | | | + | p | 3 | 2 | 1 | + | a | 3 | 1 | 1 |
| Other species/animal welfare | | | | | | | | | | | | | | | |
| Bio-diversity | | | | | | | | | | | + | p | 3 | 2 | 1 |
| Recycling | | | | | | | | | | | | | | | |
| Responsible for product at end of life and proper re-use or disposal | | | | | | | | | | | | | | | |
| Efficient energy/resource consumption | | | | | | + | p | 3 | 2 | 1 | + | p | 3 | 2 | 1 |
| Sustainable energy sources | | | | | | | | | | | + | p | 2 | 1 | 1 |
| Non-renewable natural resource consumption/conservation | + | p | 1 | 1 | 1 | + | p | 3 | 2 | 1 | + | p | 2 | 1 | 1 |
| Sustainable use of renewable resources | | | | | | + | p | 3 | 2 | 1 | + | p | 2 | 1 | 1 |
| Criteria for environmental site-selection/prior assessment of site | | | | | | | | | | | | | | | |
| Design, construction, operation and decommissioning of sites and facilities | | | | | | + | a | 3 | 3 | 1 | | | | | |
| Water quality | | | | | | | | | | | + | p | 2 | 1 | 1 |
| Air quality | | | | | | | | | | | + | p | 2 | 1 | 1 |
| Greenhouse gas emissions | | | | | | | | | | | | | | | |
| Carbon-fixing programme | | | | | | | | | | | | | | | |
| Soil/terrestrial quality | | | | | | | | | | | + | p | 2 | 1 | 1 |
| Mitigate substance release/pollution prevention | | | | | | | | | | | | | | | |
| Remediation/reclamation | | | | | | | | | | | + | p | 3 | 2 | 1 |
| Compensation for environmental damage | | | | | | | | | | | | | | | |
| Environmental management systems | | | | | | + | s | 2 | 1 | 1 | | | | | |
| Standardized (ISO 14001, EMAS, etc.) | | | | | | | | | | | | | | | |
| Not standardized | | | | | | | | | | | | | | | |
| Continual improvement on environmental objectives | | | | | | + | r | 3 | 3 | 1 | + | p | 2 | 1 | 1 |
| References international/national environmental agreements/conventions | | | | | | | | | | | | | | | |

*Table 3.* Example selection of SSEM with data

6. *The International Code of Ethics for Canadian Business* (Errol Mendes, Human Rights Education Centre, University of Ottawa).
7. *NGO Charter on Transnational Corporations* (People's Action Network to Monitor Japanese TNCs).
8. *GoodCompany Guidelines for Corporate Social Performance* (Canadian Business for Social Responsibility).

*NGO codes.*
9. *Standards of Corporate Social Responsibility* (Social Venture Network).
10. *CAUX Round Table Principles for Business* (CAUX Round Table).
11. *Principles for Global Corporate Responsibility: Bench Marks for Measuring Business Performance* (Interfaith Center on Corporate Responsibility).

*Intergovernmental codes.*
12. *OECD Guidelines for Multinational Enterprises* (Organization for Economic Co-operation and Development).
13. *Draft Universal Human Rights Guidelines for Companies* (United Nations, 2001).

## 2. Criterion Selection

Element 1 involved the use of over 100 pieces of literature on CSR and codes of conduct to identify what characteristics make effective or ineffective CSR codes of conduct with regard to such things as content, structure, implementability etc. This examination of the literature and of the codes used in the test resulted in a total of 597 CSR code criteria (table rows). The criteria were divided into three major categories, code identification, content and process, and then further into nine sub-categories, labour/employees, environment, social/community, business context, participation, compliance, communications programmes/systems, credibility and development/implementation. Due to the large number of criteria, they cannot be listed here. However, Table 3 demonstrates a sub-set of the criteria in the sub-category 'environment'. This high level of detail allows for comparison of codes on a wide range of CSR issues that affect corporations operating in complex and varied environments. To reduce the detail of the criteria would be to reduce the complexity of stakeholder concerns and corporate operating environments, thus making the method no longer able to evaluate the range of codes and uses that exist.

## 3. Six Characteristic Measurements

A. *Tone.* The first measure indicates whether the behaviour is encouraged or discouraged. Each code statement is given either a positive (+) sign to show that the behaviour is encouraged, or a negative (−) sign to indicate that the behaviour is discouraged.
B. *Statement type.* The second measure determines the type of statement. Statements are assigned either 'p' for principle, 'r' for process, 'a' for action, or 's' for information statement.
C. *Clarity.* The third measure evaluates the clarity of language used in each code statement with a rating scale where a score of 1 (poor), 2 or 3 (good) is based on the clarity and understandability of language in the statement.
D. *Statement strength.* The fourth measure analyses the strength of the statement. The strength of statements made in codes is determined by the amount of information given about the statement, words that indicate clear intentions rather than vague principles, the specificity of the statements and the intent of the statements. This instrument also uses a rating scale with a score of 1 (poor), 2 or 3 (good).

| | | Model code | | | | |
|---|---|---|---|---|---|---|
| | | Principles for Global Corporate Responsibility: Benchmarks for Measuring Business Performance | | | | |
| | | A | B | C | D | E |
| Labour/employees | Diversity of workforce (gender, ethnic background, differing abilities) | + | p | 3 | 2 | 1 |

*Table 4.* Example evaluation of one code statement

| Process issues | | Characteristic measurements | | | | |
|---|---|---|---|---|---|---|
| Communications programmes/systems | | A | B | C | D | E |
| | Number of issues mentioned | 27 | | | | |
| | Number of times a behaviour was encouraged | | 27 | | | |
| | Number of times a behaviour was discouraged | | 0 | | | |
| | Number of principles (p) | | | 4 | | |
| | Number of actions (a) | | | 14 | | |
| | Number of processes (r) | | | 9 | | |
| | Number of statements (s) | | | 0 | | |
| | Number of issues given a '1' rating (poor) | | | | 0 | 1 | 20 |
| | Number of issues given a '2' rating (moderate) | | | | 5 | 17 | 1 |
| | Number of issues given a '3' rating (good) | | | | 22 | 9 | 6 |
| | Totals | | | | 76 | 62 | 40 |
| Average per statement | | | | | 2.8 | 2.3 | 1.5 |
| Overall score | | | | | | | 6.6 |

*Table 5.* Example of scoring mechanism

E. *Indicators.* The fifth measure evaluates measurability of code statements, which determines whether some kind of measurement (such as a performance indicator) is associated with the statements, using a rating scale of 1 (no indicator present), 2 (measure present but not an indicator) or 3 (performance indicator present).

There is a sixth measure – a total count of all the CSR issues covered within the code, and as this is a simple total it was not measured within the body of the method but in the scoring mechanism shown in Table 5. Table 4 shows how the first five measures were used on one criterion to illustrate how the characteristics of a relevant code statement correspond to the appropriate criteria.

## 4. Scoring Mechanism

The scoring mechanism summarizes the code's potential for effectiveness on the six characteristics used in the evaluation. The five characteristic measurements and a count of the number of CSR issues covered in the code are presented, allowing the user to determine the relative potential for effectiveness based on the criteria and in comparison with other codes.

These scores were calculated for each code in each of the nine sub-categories and three major categories, allowing for comparison of codes by non-experts. These scores provide a general indication of the potential for effectiveness and are not statistically significant. They provide the user with an idea of which codes are clearer and easier to understand and use than others.

The overall score represents the clarity of language used, the strength of the statements made and whether indicators have been used. These three characteristic measurements relate back to the two themes found throughout the literature – the importance of clear, specific language, and the identification of actions to be taken on the statements – as these characteristics are the most critical in determining the potential for code effectiveness according to the literature, and was supported by this research. The other three measures provide information about the code and its value within particular contexts but may have different implications on potential effectiveness in different cultures. For instance, there is a debate about whether rule-based or principle-based codes are more preferable and more effective. It would seem, however, that this is largely a matter of culture. In the US, rule-based codes are preferable as they indicate what can and cannot be done within an individual's remit with the organization, whereas in Europe the preference is for principle-based codes as they act as a guide for employees that encourages rather than demands they respond in particular ways. Rule-based codes typically cover very detailed CSR issues within a small group of issue areas, whereas principle-based codes typically cover a wider breadth of issue groups but focus less specifically on the details of each issue. Therefore, using total issue coverage in the overall score is inappropriate as it presumes a preference for rule-based codes and would therefore be culturally biased in that sense.

Thus, the scoring mechanism is intended to provide detailed information about the code(s) and the overall score is intended to be used to determine overall potential for effectiveness of the code in comparison with others.

## Application of SSEM – Empirical Test Using Third Party Codes

Using the 13 third party codes listed above, the SSEM test provided a clear indication of the potential effectiveness of the 13 codes relative to each other; a further breakdown of the relative effectiveness based on criteria subgroups (summarized in Appendix A) indicated systematic similarities between code types, and illustrated strengths and weaknesses in criterion sub-groups across all code types. Table 6 shows an overall comparison of how the codes scored relative to the criteria and to each other.

Clearly, the majority of codes scored an average or slightly below average rating on the SSEM. This is due in part to the vagueness of language and absence of indicators in the majority of codes, which reflects the structural limitations of certain types of code, model codes in particular. This type of code is meant to apply to a wide number of organizations from a wide number of industries and must therefore be vague to be applicable. It also highlights the fact that these codes represent a minimum threshold as negotiated by stakeholder groups.

The test illustrated four trends in the codes evaluated. First, NGO and intergovernmental codes scored better overall than model codes. Structural differences between the code types are believed to account for the difference, because codes prepared by NGOs and intergovernmental agencies typically have statements that are more specific and detailed compared to model codes, where the statements are often times vague and unclear with less background or contextual information. Second, eight of the 13 codes performed well in the issue sub-category 'business context'. This means these codes are well developed in areas of business concern, such as recognizing the need to be profitable in order to be responsible, integrity of financial transactions, political activities, conflict of interest, good corporate governance and shareholder rights. This was the only category where over half of the codes scored well, indicating that

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| Score ranges | Business Charter (1991) | CERES Principles (1992) | Minnesota Principles (1992) | CAUX Round Table (1995) | Global Sullivan (1997) | International Code of Ethics (1997) | NGO Charter (1998) | Principles for Global Corporate Responsibility (1998) | Global Compact (1999) | Standards for Corporate Social Responsibility (1999) | OECD (2000) | Draft Human Rights (2001) | Good-Company Guidelines (2002) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 8–8.99 (excellent) | | | | | | | | | | | | | |
| 7–7.99 (great) | | | | | | | | | | | | | |
| 6–6.99 (good) | | | | | | | | | | ✓ | | | |
| 5–5.99 (average) | ✓ | ✓ | | | | | ✓ | ✓ | | | ✓ | ✓ | ✓ |
| 4–4.99 (acceptable) | | | ✓ | ✓ | | ✓ | | | ✓ | | | | |
| 3–3.99¹ (poor) | | | | | ✓ | | | | | | | | |

**Table 6.** Overall scores for codes in SSEM test
¹Three is the minimum score in the scoring mechanism.

business context issues are important to and well understood by the authors of the codes. Third, the majority of codes either excluded development/implementation statements, or made one statement indicating the importance of implementing the code, with little additional information. *Standards for Corporate Responsibility* was one of only three codes to make more than one statement on implementation, with 12 separate statements, whereas *International Code of Ethics for Canadian Business* made three and *The GoodCompany Guidelines* made two. This could be due to two different possibilities: the code is potentially more effective because it discusses how to create CSR initiatives and implement them or these issues have been left out of other codes purposefully, in order to allow organizations to come up with solutions that meet their own unique needs. Whether to include implementation strategies in codes of conduct remains an area of debate in the literature. Lastly, *Standards for Corporate Responsibility* was the only code to include performance indicators, while the *Principles for Global Corporate Responsibility: Benchmarks for Measuring Business Performance* included measurements that were not indicators. This may reflect the current difficulties associated with measuring intangibles and/or a reticence to include available measures.

## Discussion and Evaluation

The SSEM is designed to be used by organizations that want to compare the relative potential effectiveness of codes for governing CSR issues within organizations. However, this spans a broad number of uses including creating or updating a code on the basis of the criteria, compiling criteria to create a more comprehensive, credible multistakeholder code to replace the plethora of existing codes, designing CSR strategy and evaluating codes of all types against the criteria and each other. As a code development tool, the SSEM allows corporations to design their own or select the most effective code for their operations. In some instances this means the corporation can choose an existing third party code and modify it specifically to meet their own needs or adopt the third party code in its entirety, by providing a framework to help corporations develop or modify codes.

As a strategy tool, corporations can use the SSEM to screen potential partners, suppliers, subcontractors, potential companies for merger or joint venture etc., ensuring adherence to appropriate CSR principles and practices through the code and the potential partner's adherence to a triple bottom line philosophy.

As an evaluative tool, it can provide communities or governments with a method for evaluating corporations wanting to invest in development or that are already in operation within the community. Communities can look at the corporation's code against the criteria and framework for evaluation, providing a foundation and structure for their assessment and a benchmark for anticipated future performance on CSR issues. If a corporation has a code of conduct, investment analysts or potential government partners can use the method as one way of evaluating the potential risk associated with a corporation, by helping determine such things as whether the corporation is aware of its impacts and has systems in place to be accountable to its internal and external stakeholders.

The SSEM is flexible and can be easily adapted to fit a number of situations from more general use by investors, for instance, to targeted use by individual corporations in helping to identify appropriate suppliers.

## Conclusion

The increasing popularity and use of codes within organizations from the business, NGO and government sectors cannot be ignored. It is critical for organizations to have tools available to determine the

potential of certain codes to effectively govern their CSR concerns, including measuring and revising individual corporate codes for improved robustness.

The SSEM fulfills this role by helping to organize and prioritize codes that are more effective than others in both general and unique operating circumstances, and helping to improve the governance of CSR issues by highlighting examples of effective code structure and content. It can also help to streamline the number of codes in existence by identifying codes that are less effective generally, and letting organizations focus on codes with increased potential for good CSR governance. Its use as a risk mitigation tool is perhaps the most powerful and can make the SSEM useful within a number of organizational settings.

Thus, the SSEM provides a much needed tool for understanding, analysing and comparing the plethora of codes that currently exist and for helping to improve governance of CSR in the future.

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## Appendix. Detailed Results of Code Scoring in Criterion Sub-Categories

| Overall scores – total number of criteria mentioned[1] | Model codes | | | | | | | NGO codes | | | | Inter-governmental codes | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Business Charter (1991) | CERES Principles (1992) | Global Compact (1999) | Global Sullivan (1997) | Good-Company Guidelines (2002) | International Code of Ethics (1997) | Minnesota Principles (1992) | NGO Charter (1998) | CAUX Round Table (1995) | Principles for Global Corporate Responsibility (1998) | Standards for Corporate Social Responsibility (1999) | OECD (2000) | Draft Human Rights (2001) |
| Labour/employees | G-1 | | A-4 | C-10 | A-17 | C-5 | P-6 | G-12 | C-8 | A-45 | R-23 | A-14 | G-20 |
| Environment | A-10 | C-13 | C-2 | P-1 | A-4 | C-2 | P-2 | C-5 | C-3 | A-13 | G-13 | G-4 | A-8 |
| Social/community | | | A-2 | C-4 | A-6 | P-6 | P-7 | A-6 | C-6 | A-18 | R-11 | A-2 | G-15 |
| Business context | A-13 | A-4 | C-1 | P-10 | A-25 | C-16 | C-23 | A-12 | C-28 | A-40 | G-42 | A-44 | A-31 |
| Participation | G-1 | C-1 | | | A-12 | C-3 | A-1 | | C-1 | C-9 | G-6 | G-2 | A-1 |
| Compliance | C-5 | A-3 | | | C-6 | P-1 | | A-2 | | A-18 | G-13 | A-5 | A-6 |
| Communications programs/systems | C-6 | A-8 | | P-2 | C-12 | | C-7 | A-12 | C-7 | G-17 | G-27 | A-24 | A-22 |
| Credibility/accountability | C-1 | G-4 | | P-1 | C-4 | C-2 | | A-1 | G-1 | A-6 | G-6 | A-2 | G-4 |
| Development/implementation | A-1 | G-1 | | G-1 | A-2 | C-3 | A-1 | | | C-1 | G-12 | A-1 | G-1 |
| Total | A-38 | A-34 | C-9 | C-29 | A-88 | C-38 | C-47 | A-50 | C-54 | A-167 | G-153 | A-98 | G-108 |

Scores: $8.9–8.0$ = excellent (E); $7.9–7.0$ = great (R); $6.9–6.0$ = good (G); $5.9–5.0$ = average (A); $4.9–4.0$ = acceptable (C); $3.9–3.0^2$ = poor (P); no criteria = blank.
[1] Each cell represents the score range followed by the number of criteria mentioned within the corresponding criteria sub-category. This is to highlight situations where only one statement within the sub-category was mentioned, and was quite robust as scores tend towards average (A) or acceptable (C) when many are mentioned.