

*THE DEVELOPMENT, PROMISE,
AND PITFALLS OF INDUSTRY-
LEVEL COOPERATION
REGARDING GLOBAL BUSINESS
ETHICS*

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Goals for the paper

I will discuss the development of industry-level codes of conduct, delineate institutional antecedents of them, outline requirements for an industry code of conduct to be successful, and conclude with normative concerns about such initiatives.

Industry codes of conduct

One area that merits further analysis is the role of *industry-level* cooperation regarding issues in global business ethics. Industries as disparate as pharmaceuticals, oil, banking, tobacco, accounting, and architecture have developed industry-level codes of conduct.

Why are industry-level codes useful?

Industry-level codes can:

- create an ethical floor for industry members,
- allow the industry to achieve economies of scale with regard to monitoring social performance, and
- help the industry better tell its story to its stakeholders (perhaps avoiding government regulation in the process).

Why are industry-level codes problematic? (1)

But industry-level codes pose challenges:

- There is a need to convince a variety of stakeholders that the code and its implementation are rigorous.
- Developing the code—including taking up the issue of participation by non-members of the industry in the formulation and implementation processes—can be difficult.

Why are industry-level codes problematic? (2)

- Ensuring compliance is complicated.
- Individual companies are putting part of their brand images at risk, based in part on the behavior of other companies.
- Industry members may need to create an institutional structure to administer the code, which may be costly and complicated.

Institutional theory and industry self-regulation

Institutional theory may help explain when industries are more or less likely to adopt self-regulation based on particular antecedents (generally and with regard to specific concerns like labor issues) and define complementary factors to the success of such initiatives (Van Buren and Patterson, 2007).

Antecedents to industry self-regulation (1)

Proposition 1: Industries that face greater expectations with regard to social responsibility will face greater pressures for self-regulation than industries that face fewer expectations with regard to social responsibility.

Proposition 2: Industries that produce products closer to final end products will face greater pressures for self-regulation than industries that produce products further from final end products.

Antecedents to industry self-regulation (2)

Proposition 3: Industries that have been the subject of recent negative press attention will face greater pressures for self-regulation than industries that produce products that have not been the subject of recent negative press attention.

Proposition 4: Industries that face demands from unified stakeholder coalitions will face greater pressures for self-regulation than industries that produce products that do not face demands from unified stakeholder coalitions.

Antecedents to industry self-regulation (3)

Proposition 5: Industries that are highly concentrated are more likely to bring about self-regulation than industries that are highly fragmented.

The successful implementation of industry self-regulation, however, may be affected by additional and complementary factors.

Complements to industry self-regulation (1)

Proposition 6: Industry self-regulation is more likely to be successful at responding to stakeholder concerns about the industry's behavior if one or two large firms play a central role.

Proposition 7: Industry self-regulation is more likely to be successful at responding to stakeholder concerns about the industry's behavior if an institution separate from the control of any one firm is created to administer the self-regulatory scheme.

Complements to industry self-regulation (2)

Proposition 8: Industry self-regulation is more likely to be successful at responding to stakeholder concerns about the industry's behavior if it encompasses a large portion of the industry's output and membership.

Proposition 9: Industry self-regulation is more likely to be successful at responding to stakeholder concerns about the industry's behavior if regular public reports are issued.

Complements to industry self-regulation (3)

Proposition 10: Industry self-regulation is more likely to be accepted by stakeholders if the industry itself is viewed as legitimate.

Normative concerns about industry self-regulation (1)

There are two kinds of normative concerns germane to any analysis of an industry code of conduct.

The first relates to the *content* of the code and whether it is truly comprehensive and inclusive of stakeholder concerns, or whether it primarily reflects the industry's understanding of CSR.

Normative concerns about industry self-regulation (2)

The second relates to *stakeholder participation*; do (and more importantly for a normative analysis, should) stakeholders participate in formulating and administering the code of conduct?

The same kinds of concerns related to transparency and stakeholder involvement in company-level CSR initiatives are equally applicable to industry-level initiatives.

Conclusion

Industry-level self-regulation that addresses stakeholder concerns about social and ethical issues like labor practices will become more significant as individual firms perceive that there is advantage in pursuing collective action in this regard. Such initiatives are “successful” to the extent that they are accepted by stakeholders as so. Attention to when industries will undertake such initiatives and how these initiatives can satisfy stakeholder expectations is a fruitful area for future research.