

Full Length Research Paper

Corporate social responsibility in fortune magazine's top 50 companies: State of action and salient trends

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The concept of corporate social responsibility constantly adapts to the needs of global business. Given the recent development of corporate social responsibility and sustainability ideologies, along with methodologies and criteria used to meet the standards of a "responsible" company, it becomes necessary to examine their realization in practice, by focusing on those responsible for the trends: the fortune 500 companies. This article addressed both of these needs by comparing the corporate social responsibility reports of Fortune Magazine's Top 50 companies. The article tried to evaluate each company's performance against a defined set of criteria in order to test for the didactic nature of the competitive relationships between Fortune's Top companies and their influence on smaller companies. It then tried to answer three important related questions concerning corporate social responsibility now and in the future: 1) to what extent have Fortune's Top 50 companies embraced the concept of corporate social responsibility? 2) What is their understanding of corporate social responsibility? 3) What are the current trends of corporate social responsibility? The article concluded with analyses of future trends that may assist companies to develop their corporate social responsibility practices on an ongoing basis.

Key words: Corporate social responsibility (CSR), fortune 500, fortune's top 50.

INTRODUCTION

Every company is accountable to its stakeholders. Depending on a company's size and scope, its stakeholders can range from employees and consumers, to suppliers, investors, contractors, governments, non-government organizations and media. First and foremost, a company is established to meet the financial needs of these stakeholders. However, this fiduciary responsibility does not account for what, 70 years ago, Merrick Dodd called the compact that a company enters and "service to the community" that a company should provide when operating in any industry or society (Dodd, 1932). Companies therefore require a means of responsibly repaying the profit they make for their stakeholders by positively influencing and benefiting the communities within which they operate.

Corporate social responsibility (hereafter CSR) is a purposely vague, all-encompassing concept designed to facilitate corporate activities that go beyond mere

fiduciary responsibility. In other words, CSR is ideally a framework within which a company can influence the society it operates in, in the interest of building a mutually beneficial relationship.

So what exactly is CSR? The number of definitions available makes it difficult to provide an authoritative answer. Shallini Taneja and colleagues, by quoting Bowen's description of CSR in 1953, defined CSR as a company's obligation to pursue actions "in terms of the objectives and values of our society" (Bowen and Ferrell, 2004; Taneja et al., 2011). CSR has assumed a variety of meanings, descriptions, and manifestations since its inception. This becomes apparent simply by reviewing the titles of the CSR reports issued by different companies, which include corporate responsibility, corporate sustainability, corporate philanthropy, sustainable development and citizenship and sustainability, among others (Toyota, 2009; Carrefour, 2009; Assicurazioni Generali, 2009; Allianz, 2009; AXA, 2009).

Ideally, then, what should CSR be? Simply put, it should be a loose set of guidelines on how a company can make constructive and productive contributions to its

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community. It should not be a set standard of criteria that companies look to meet for the sake of an “admirable” reputation.

Companies often base their CSR practices on international standards developed by third party agencies, such as the United Nations. In this way, the biggest companies in the world can adequately equate their CSR efforts to simple principles. There are many incentives for companies to meet the international standards of CSR. Economic agents, both investors and consumers, tend to favor companies with good CSR practices. When companies select smaller suppliers, the CSR history of the latter is often the most crucial consideration. But is having a set list of criteria by which a multinational corporation with billions of dollars in annual revenue decides its CSR plans the best way to practice CSR? Kernaghan Webb answered a similar question about social responsibility (SR) in the periodical for United Nations Global Compact, Compact Quarterly, stating that the guidance standards aim to make CSR more accessible and understandable, while “getting the word out to a much broader group of organizations concerning SR operationalization”, than otherwise possible (Webb, 2008).

As Georg Kell, Executive Director of the UN Global Compact has pointed out, “undoubtedly, in the past decade, genuine advances have been made by companies and investors across the globe to better understand and address environmental, social and governance issues” (Kell, 2008). We agree that CSR is important and progressing, but how to measure the CSR practices and performance of various business entities? Several methods for measuring the success of CSR are currently available. The KLD database for CSR success, along with the Fortune America’s Most Admired Companies list, and the global reporting index’s (GRI) grading system, among others, attempt to assess the extent to which companies implement their CSR actions.

In order to encourage business entities to practice CSR, a framework that offers an incentive for adopting good CSR practices is clearly necessary. But, is allowing third parties to set the standard the best way of going about it? The only way to test whether this is the case is to examine the trendsetters of global CSR practices: The Fortune 500 companies.

This article investigates the actions and words of Fortune’s 2010 Top 50 companies, by scouring their respective websites and annual 2009 CSR reports. We focused on Fortune’s Top 50 companies because their lead position in their respective industries gives them the status of role models. Thus, their CSR practices often set the standards for their industries and demonstrably affect other companies. The Fortune’s Top 50 companies are dominant players both economically and in terms of employment statistics. 42 of the Top 50 companies had revenue higher than \$ 100 billion in 2010. 14 of them are also among the Top 50 in terms of their number of employees. For example, the number one company, Wal-Mart Stores alone has 2,100,000.

the world (Fortune, 2010). Therefore, the CSR practices of these companies do have a demonstrative effect in their industries, countries of origin, and worldwide. Fortune’s Top 50 is comprised of a list of companies that originate from 11 countries (Figure 1) and involves 13 industries (Figure 2).

QUESTIONS AND RESEARCH METHODS

The existing research on CSR suggests that companies benefit from practicing CSR because they fulfill a mutually beneficial “compact” with society that would otherwise leave a void. Because sustainability is now an “expected” component of corporate responsibility, our goal was to answer three key questions about CSR practices: 1) perception – what is Fortune’s Top 50 companies’ understanding of CSR? 2) action – how much have the companies embraced CSR, and what have they done? 3) future – what else should they do in the future; what are the trends, predictions and forecasts?

The research method was twofold and therefore split into two separate sections. The methods and parameters used to collect the CSR reports were first discussed, then, data collection was focused on.

Report collection

Because our main goal was to discover how accessible the company’s CSR practices were to the general public, we only collected reports that were easily found on the internet. We did, however, accept a section from an English language website outlining the company’s CSR actions, rather than a formal report.

We focused on English language reports for one specific reason: CSR has increasingly become a global phenomenon, so we made a point of basing our evaluation of companies on their efforts to appeal to an international audience. Given the fact that English has almost become an international language, we assumed that a multinational company, especially from Fortune’s Top 50, would attempt to present their CSR efforts to a global audience.

Our search for the CSR reports of Fortune’s Top 50 companies followed a multistep process. First, we searched the target company’s English language website for a formal CSR report. If the report was not immediately obvious, we attempted to find it using the website’s “search” option. If this option proved unsuccessful, we would visit other websites that carry corporate CSR reports. For example, the websites of the UN Global Compact and the global reporting index both collect the reports of the companies that follow their standards.

If a formal CSR report was still missing after all these attempts, we searched the target company’s website for a section on CSR, sustainability, or corporate responsibility. If a company’s website had a section for any of these areas, we then collected the information provided.

Data collection

Data collection was a more difficult task. Of the 50 companies we studied, 42 had English language formal reports. On average, these reports were 97 pages long. Consequently, finding references for specific criteria required extensive research and copious diligence. We tested for nine specific criteria and their subcategories. The nine categories were international report standards, environmental affairs, CSR governance, ethics, customer relations, employees, suppliers, social outreach, and government relations. These criteria will be explained further.

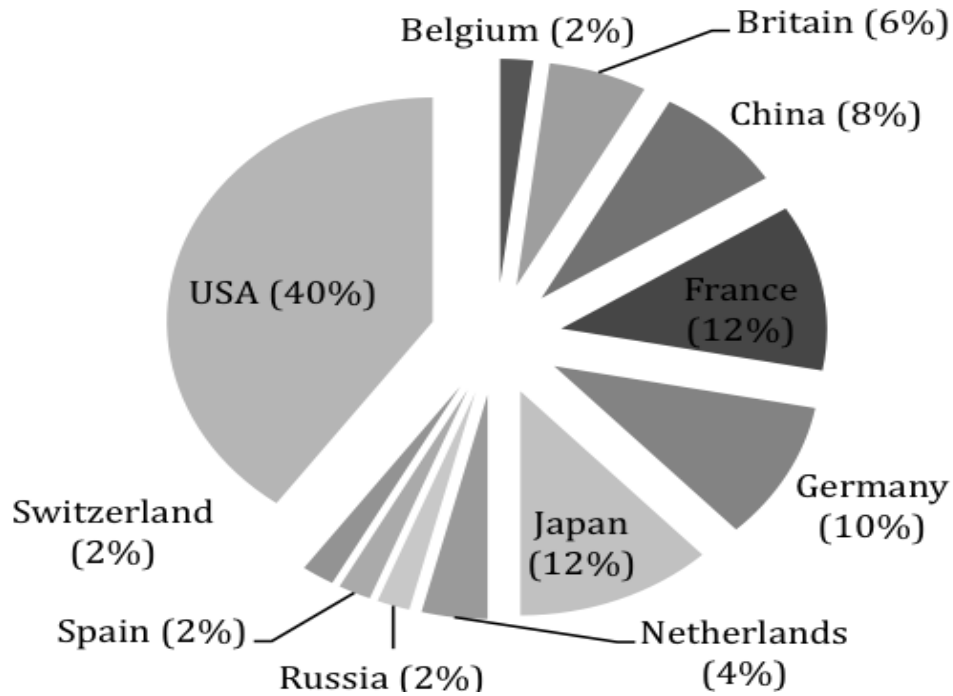


Figure 1. Fortune's Top 50 Companies broken down by country of origin.

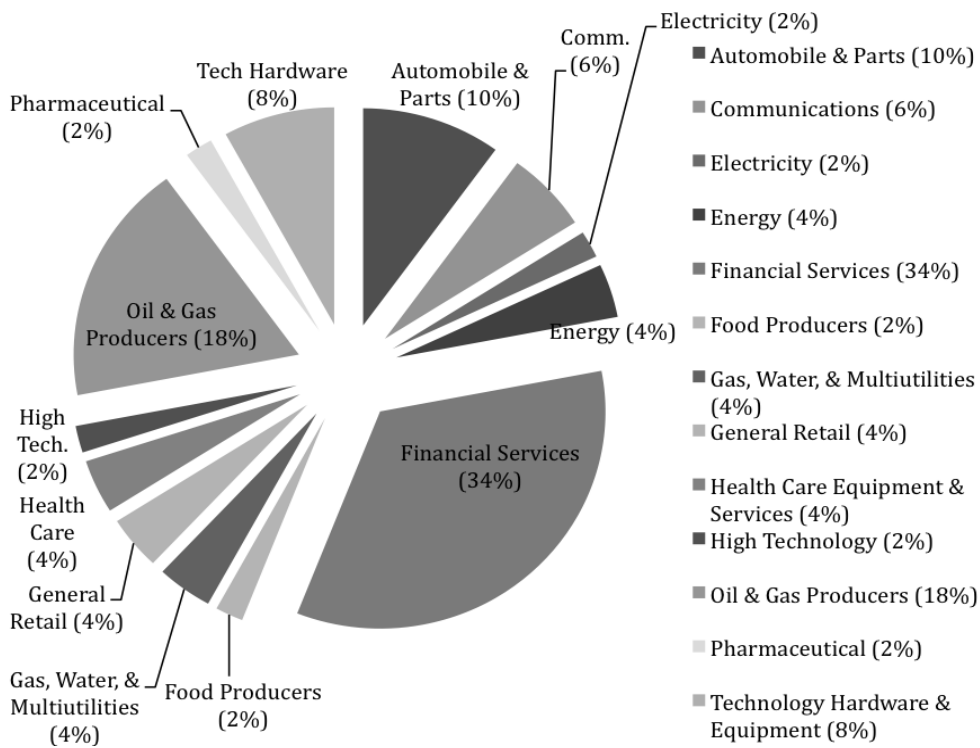


Figure 2. Fortune's Top 50 companies broken down by industry.

Following the collection of the reports, we first went through to see if these nine criteria were satisfied. We then tested each report individually against the following sub-criteria:

1. International report standards – Do companies discuss their reporting methods and the international standards that their reports conform to?

- i. UN Global Compact – Do they conform to the UN Global Compact?
 - ii. Global Reporting Index – Do they conform to the Global Reporting Index?
 - iii. Social Accountability Index – Do they conform to the Social Accountability Index?
2. Environmental affairs – Do companies designate a portion of their report to the environment, and if so, what are their attitudes/efforts towards it?
- i. Global climate change – Is climate change and its impact explicitly mentioned in the report?
 - ii. Energy/sustainability – Are specific methods and data laid out for decreasing the company's environmental impact?
 - iii. Renewable energy innovation – Do companies invest in, or use, innovative methods of energy production? For instance, are the companies investing in methods of extracting energy that do not require fossil fuels? Do they invest in energy production using wind, solar, water, and so forth?
3. CSR Governance – Do companies explicitly mention their governance structure that deals with CSR issues? For instance, do companies explain how they make their CSR decisions?
4. Ethics – Do companies mention ethics training, ethical policies, and/or a code of ethics?
- i. Anti-corruption – Do companies explicitly mention anti-corruption efforts?
 - ii. Integrity – Is integrity a pervasive theme of the CSR section?
5. Customer relations – Do companies refer to a “stakeholder” relationship with their customers, and do they describe their efforts on behalf of these stakeholders?
- i. Safety – Do companies try to ensure the safety of their customers? Do they invest in the safety of their products?
 - ii. Value – Do companies focus on giving their clients the most value for their money?
6. Employees – Do companies have a section explicitly about employees and their relationship with the company?
- i. Benefits – Do employees receive any benefits additional to their salary? If so, are these benefits explicitly mentioned?
 - ii. Diversity – Do companies make an effort to diversify their workforce? Is this effort explicitly mentioned?
 - iii. Education – Do companies commit to assisting their employees' intellectual development? Do they offer educational benefits or vocational degrees? Do they encourage leadership and development training? Will employees be more intellectually prepared after working for the said company due to its educational efforts?
 - iv. Safety – Do companies mention their efforts to keep employees safe at work?
7. Suppliers – Do companies explicitly mention their relationship to suppliers and their CSR efforts with respect to them?
- i. Safety/sustainability – Do companies invest money and effort into ensuring the safety of their suppliers? Do they select suppliers based on their safety record? What kind of efforts are companies making to select sustainable suppliers?
 - ii. Integrity/training – Do companies ensure their suppliers abide by the same CSR standards as they do? Do they make efforts to train their suppliers in CSR practices?
8. Social outreach – Do companies focus on their broader

relationship to society and discuss their efforts to improve the communities in which they operate?

- i. International efforts – Do companies make global social efforts, rather than just in their country of origin?
- ii. Human rights – Do companies focus on human rights and equality? Do they make efforts to help the disadvantaged people?
- iii. Charity – Do companies invest money in philanthropy?
- iv. Global health – Do companies invest resources in education or innovative methods designed to curb global diseases?
- v. Global education – Do companies commit to the development of education both in their communities and internationally? For example, do they offer scholarships to underprivileged children? Are they willing to donate money to setting up and funding schools in underprivileged areas?

9. Government relations – Do the companies have any direct involvement in lobbying in their countries of origin? Do they try to influence lawmakers on CSR issues?

We selected these criteria by combing the existing standards for CSR, particularly from the UN Global Compact, the Global Reporting Index and the Social Accountability International, and then supplementing the new principles specified earlier. These existing standards, as well as outside sources, all influenced our decisions on how to test Fortune's Top 50 companies. After deciding which of the found areas were the most significant, we settled on a set of criteria that we felt the business community has, and will continue to follow in the future.

After we have tested each corporate CSR report individually against the listed criteria and sub-criteria, we used the results to create a spreadsheet of percentages. This allowed us to find out what percentage of Fortune's Top 50 companies focused on given areas and helped identify the most popular areas to focus on. From there, we compiled and delineated the data to see whether there were any discrepancies between industries or regions of operation.

An important aspect of our research was to identify the goal of the CSR reports for individual companies. Simply put, why do companies write their CSR reports and who will read these reports? This means that finding out who the companies believe are their biggest stakeholders becomes extremely important. Companies, either in their formal reports or in the CSR sections of their websites, would address a portion directly to their stakeholders. We collected and analyzed the information provided in these sections.

FINDINGS

Understanding of corporate social responsibility

The understanding of corporate social responsibility has developed for decades, often led by the Fortune 500 companies. Over the last decade, it has become increasingly obvious that companies across the world are embracing this idea and adopting the practices. For example, in the CSR reports of ConocoPhillips, an American oil and gas producer, the company claims that it is “dedicated to helping the communities in which we operate improve their capacity to create jobs and meet the needs of their citizens”, and it believes that “stronger communities better serve their residents and build a more capable infrastructure that can, in turn, facilitate business” (ConocoPhillips, 2008).

In the aforementioned statement, the company expresses the idea that CSR has become both a means for

financial gain and a method for social good. Their ideology demonstrates that companies view CSR as a platform for increasing revenue and acting responsibly towards the communities they operate in. We found results that were consistent with this idea, with companies looking for a mutually beneficial relationship with their communities.

The goals of the CSR sections of each of these companies are obvious. Every one of the companies with formal reports has a specific section that discusses stakeholders. In this way, companies can express the importance of meeting CSR standards in terms of both financial needs and social reasons. Furthermore, each company with a formal report has a section addressing their stakeholders. In this way, they could appeal to all those they believe would have a stake in their company. In other words, by focusing the CSR report on stakeholders, companies are expressing their interest in reaching out to those they rely on for support.

Allianz, the French financial services provider, lists several stakeholders in its report, including customers, employees, shareholders and the investment community, communities, government and regulators, and external organizations (Allianz, 2009). Most companies followed a similar line, at least naming shareholders, customers, employees, and communities. Many of Fortune's Top 50 companies used their CSR reports to recount their goals for 2009, the methods used to attain them and their future goals concerning every facet of their CSR efforts. More than half of the companies divided their CSR categories into four specific sections: environment, employees, customers and social outreach.

How much has Fortune's Top 50 companies' embraced corporate social responsibility?

Corporate reporting of CSR practices has increased dramatically over the last decade, making it an important part of the CSR movement worldwide. According to BSR, an international sustainability consulting organization, nearly 80% of Fortune's 250 companies produced formal reports in 2008, up from 50% in 2005 (BSR, 2010).

Our findings about how companies are embracing CSR and its reporting reflect that trend. Of the 50 companies we explored, 48 had website sections that specifically address CSR. 42 of the companies had 2009 for-mal reports available, either on their website or through the websites of the organizations whose international standards they adhere to. This means that more than 80% of Fortune's Top 50 companies are developing reports that will enable international audiences to know their CSR efforts. Furthermore, 96% of them had a website section, a formal report, or both (Appendix 1).

Generally speaking, Fortune's Top 50 companies have done an admirable job of meeting the international criteria used to judge CSR. 36 of the 50 companies

explicitly named the standards they used to develop their CSR reports. Of these 36 companies, 34 adopted the Global Reporting Index, a comprehensive grading system for CSR standards, when creating their reports. 27 companies used the United Nations Global Compact, which includes ten principles covering human rights, labor, environment and anti-corruption. Finally, two companies ranked in Fortune's Top 50, Hewlett-Packard and Carrefour, adopted the standards created by the Standard Accountability International, which developed a list of criteria based on the protection of employees' rights and safety.

We developed our own standard of nine criteria, by combining factors from the UN Global Compact, the Global Reporting Index and the Social Accountability Index, to see where companies focused their resources and actions. It became clear that although most companies often focused on the same ideas, they would tweak them slightly, depending on sector, region and purpose.

What are the focuses of the CSR practices of Fortune's Top 50 companies?

Figure 3 shows the results of our analysis, namely, how Fortune's Top 50 companies performed, by percentage and category, against the standards we developed. We list the criteria in descending order by percentage, from the most addressed to the least addressed. In this way, we can identify the most popular CSR practices of Fortune's Top 50 companies in 2009.

As Figure 3 indicates, the Top 5 CSR areas of Fortune's Top 50 companies in 2009 were social outreach (90%), employees (90%), environment (88%), integrity (86%), and energy/sustainability (86%). The least popular CSR areas included global health (62%), anti-corruption (62%) and government relations (54%). Further, we review the major CSR areas of these companies.

Environment

While testing whether companies addressed the environment in their CSR practices, we looked at three standards. First, did the companies address climate change in their CSR efforts? Were they interested in sustainable energy? Finally, we tested whether companies invested in renewable energy innovation, such as using innovative methods of energy production or investing money into its research. Figure 4 shows the results of testing Fortune's Top 50 companies against our environmental standards.

44 of Fortune's Top 50 companies had a report or website section addressing the environment. They did so in several ways, including discussing how they are curbing their environmental impact, expressing a need to

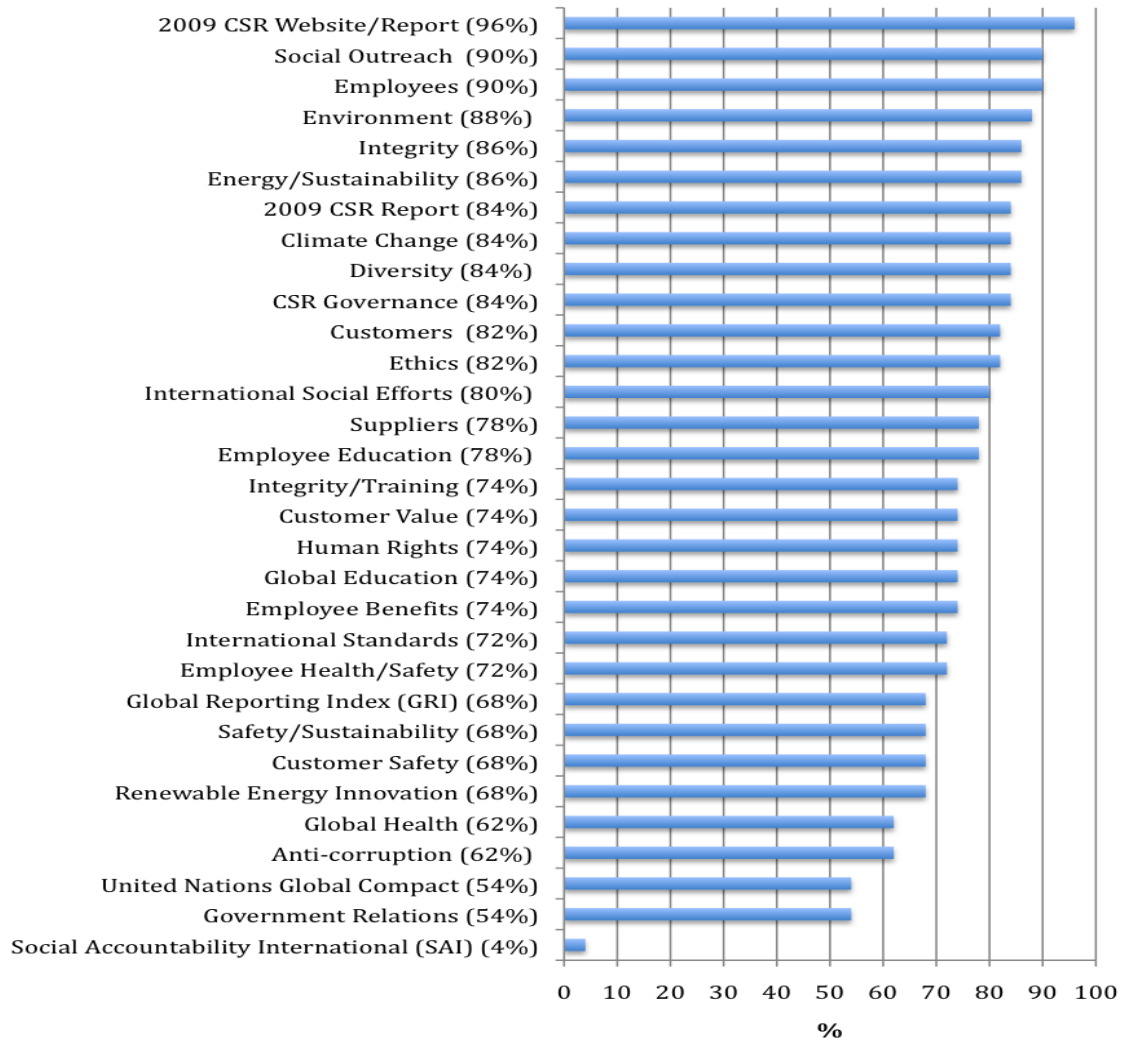


Figure 3. Results of how Fortune's Top 50 companies met standards.

behave in a more environmentally responsible manner, and showing statistics that demonstrate their record.

Beyond discussing the global environmental issues, 43 companies described methods of energy/sustainability and ways of cutting back on energy use. For instance, AT&T, the American communications provider, invested in nearly 1,000 alternative fuel vehicles, with the goal of operating 15,000 such vehicles by 2018 (AT&T, 2009). Several other companies had similar programs, including recycling efforts and especially adopting reusable scrap materials.

34 of Fortune's Top 50 companies had sections about either their investment in, or use of, innovative renewable energy practices. Of these 34 companies, 28 discussed a combination of solar power, wind power, or hydropower.

The energy section seems particularly prevalent among the oil and gas producers, all but one of whom addressed energy innovation. Of the eight oil and gas producers with formal CSR reports, four featured significant discussions

of developments in oil sands, which is a relatively safe method of energy extraction; two discussed significant investment in deepwater energy exploration.

Because energy providers, particularly those dealing with water and oil, extract resources from the earth, they often focus most of their CSR practices on the environment.

For instance, GDF Suez, France's leading gas, water and multi-utilities provider, considers environmental innovation a core value. GDF Suez claims it has 1,200 researchers and technicians working on climate change issues. The company has programs designed to both reduce its carbon footprint and research new ways its suppliers and consumers can do the same. Among these is a program called "city of tomorrow", aimed at creating energy efficient construction projects to manage population placement, public transport, and waste collection (GDF Suez, 2009).

All these examples of renewable energy innovation and

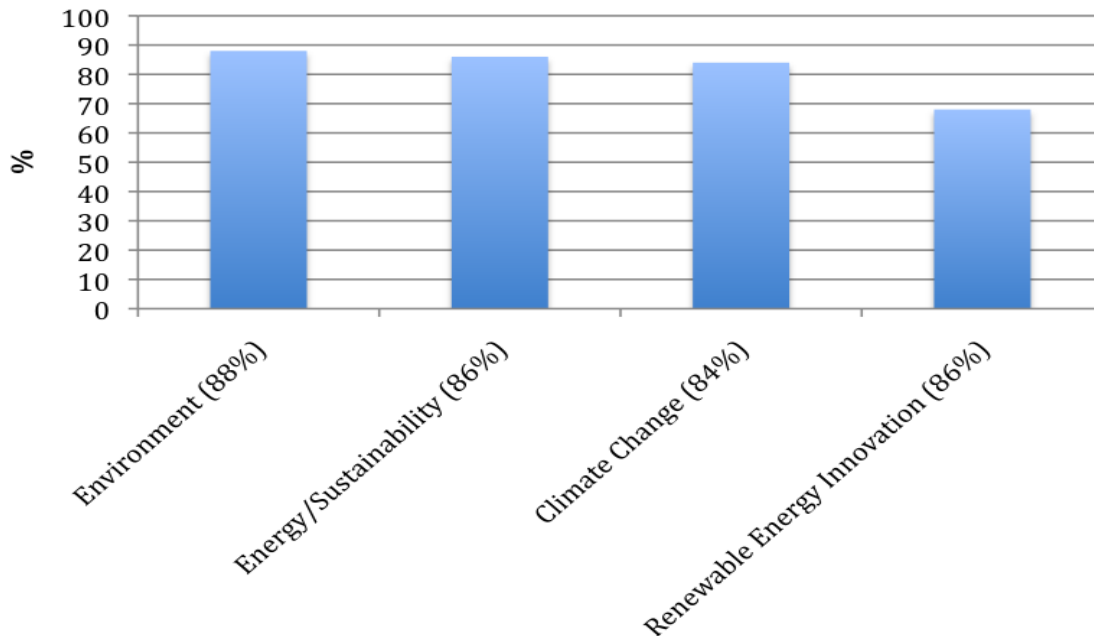


Figure 4. Results of how Fortune's Top 50 companies met environmental standards.

energy/sustainability stem from the view shared by stakeholders and society in general, that the environment is a significant concern and will remain so in the future. Companies react to this need to be environmentally responsible according to their country of origin and their industry, so their approaches can vary as a result. As a whole, it appears that environmental concerns are very high on companies' lists of CSR goals.

CSR governance

CSR governance is important for companies because it can ensure that CSR remains a priority within the companies and help develop their future CSR strategies and plans. Thus, by incorporating their CSR governance structure into their CSR reports, companies let their stakeholders understand who makes the CSR decisions, as well as how and why.

42 of Fortune's Top 50 companies have introduced their CSR governance to stakeholders. These companies adopt different methods for developing and implementing their CSR plans. The most common theme is the creation of a specific department that makes CSR plans. Some companies form internal committees or advisory groups, while others opt for third party assistance.

For instance, French company Allianz has a specific board of management made up of nine members from several countries and spanning across all sectors of the company. This board acts as the company's "first pillar" of CSR governance and operates under an umbrella of 22 principles, including ethics and environmental

awareness. Its annual meetings develop both the CSR goals and methods for the upcoming year. After that, the company then begins the process of creating and administering its CSR plans. The board is also responsible for developing the CSR report of the company (Allianz, 2009).

All in all, CSR governance is among the most important parts of the CSR process, because it shows how the decision-making process works and lets stakeholders know who is in charge of CSR-related issues.

Ethics

Many of Fortune's Top 50 companies aspire to be ethical and regard this as the most important characteristic of corporate governance. Companies searching for investors regard financial integrity as one of the most crucial factors they must consider. Displaying a consistent set of internal ethics therefore becomes a priority. Thus, many companies make their commitment to ethics and the structure of their internal ethics a major part of their CSR reports.

When testing whether a company is ethical, we measured three things. First, we measured whether companies had a distinct policy on ethics. For instance, is there an ethical charter? Are employees knowledgeable about the company's ethics policies? Next, we tested for integrity. Companies we deem to have met our standard should have their employees focus on legal business practices, and make integrity a pervasive theme of their CSR section.

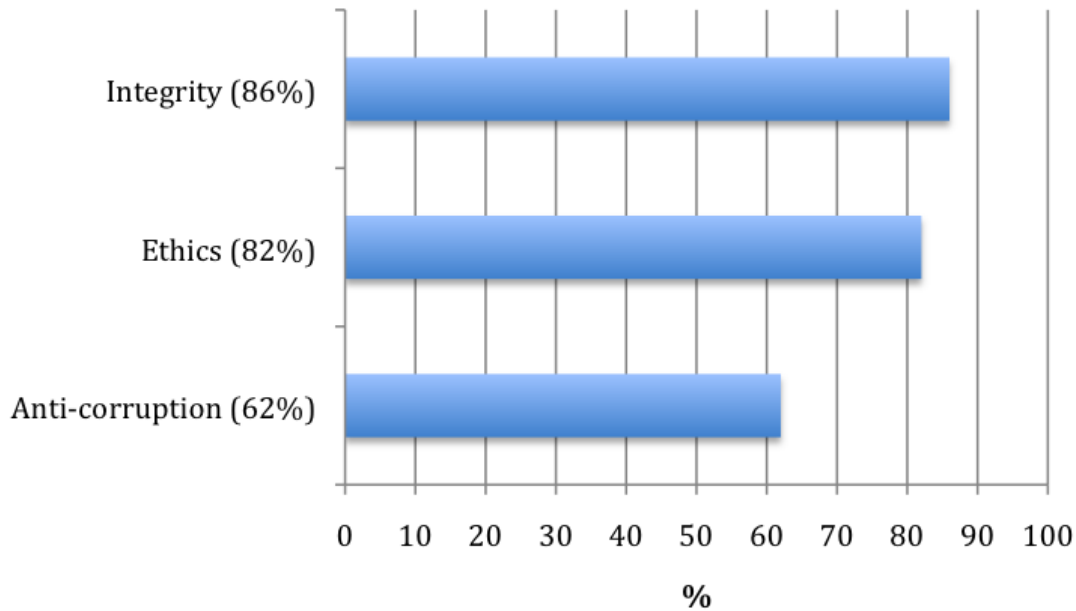


Figure 5. Results of how Fortune's Top 50 companies met ethics, integrity and anti-corruption standards.

Finally, we tested for anti-corruption. The UN Global Compact's tenth principle states that, "businesses should work against corruption in all its forms, including extortion and bribery" (UN Global Compact, 2010). Companies that directly mentioned efforts to curb corruption, especially extortion, bribery, or unethical financial maneuvering, met our standard. According to our analysis, 43 of Fortune's Top 50 companies specifically mentioned operating with integrity, having demanded it from their upper management, employees, and suppliers. 41 of Fortune's Top 50 companies mentioned ethics with regard to their employees, an ethical charter, or ethical financial dealings within the company. Furthermore, 31 companies claimed to have met the UN Global Compact's anti-corruption principle. Figure 5 shows how the Fortune's 50 companies fared against our standards of ethics, integrity and anti-corruption, by percentage.

A company that focuses on all three standards will have an educational system for employees, a method for reporting business inconsistencies and a means for punishing and decreasing the occurrence of such offenses. For instance, Samsung, the South Korean technology hardware and equipment provider, has focused on ethics both internally and externally. Each year, Samsung devotes employees to auditing each sector of operation to ensure integrity and ethics. Furthermore, Samsung developed a program called "Cyber Auditors" in 2002 to incorporate integrity into the company's global operation. This web-based program now has an integrity program available in five languages. In addition to the audit committee, Samsung also has an anti-corruption education program (Samsung, 2009).

Customers

Despite the fact that companies have no fiduciary responsibility to their customers, 41 of Fortune's Top 50 companies had a specific section on their relationship to customers. When testing for how companies relate to their customers, we looked at two different standards. First, we tested to see if companies addressed customer safety. For example, did these companies invest in the safety of their products? Next, we tested for customer value. We wanted to find out if companies addressed the value of their products, and if they focused on giving their customers the most value for their dollar. Figure 6 presents our findings.

We found Fortune's Top 50 companies often focused a large part of their report on their efforts to ensure customer safety and welfare. 34 of Fortune's Top 50 companies discussed customer safety. Companies address customer safety in different ways. Automobile and parts producers usually invest heavily in product safety through rigorous testing. Ford, for example, focused on investing in car safety, safe driving education and road repair. CVS Caremark, the only pharmaceutical company in Fortune's Top 50, focused on quality assurance and the safety testing of prescriptions. CVS also provided community health fairs and screenings, offering \$ 3 million worth of free flu shots in 2009 (CVS Caremark, 2009).

Of the 16 companies that did not discuss customer safety, four are in the financial services sector. This is partially because financial products and services are not physically dangerous. Financial services provider

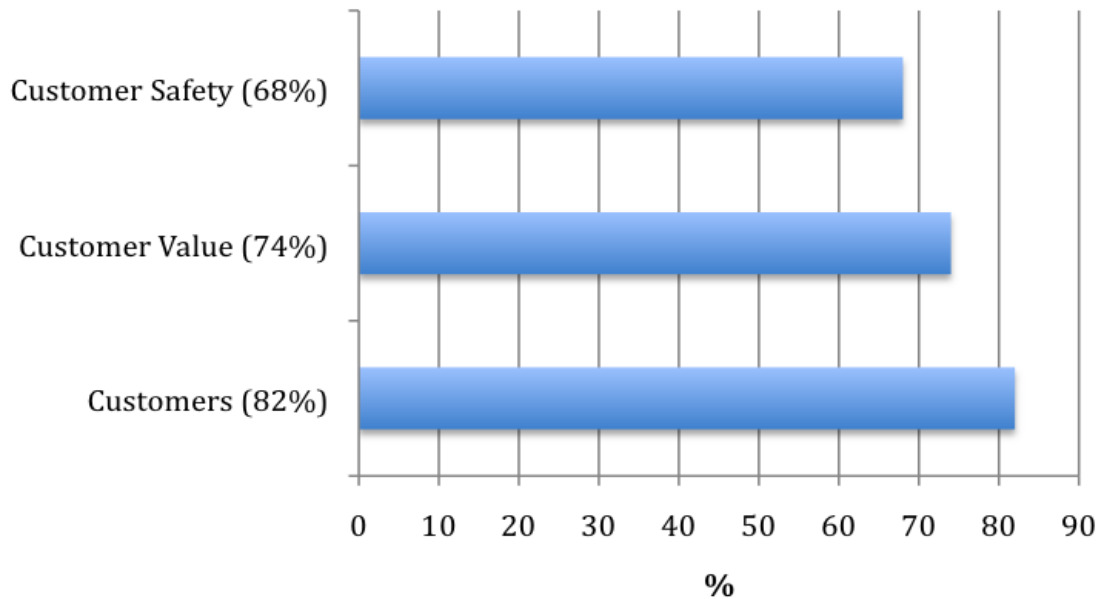


Figure 6. Results of how Fortune's Top 50 companies met customers standards.

typically emphasize customer value instead.

When testing for customer value, we found that 37 of Fortune's Top 50 discussed what they were doing to make sure their customers got the most value for their money. Interestingly, of the 13 companies that did not openly discuss customer value, five were energy producers. In contrast, the financial services industry focuses many resources on customer value. Of the 17 financial services providers included in Fortune's Top 50, 13 had a section addressing customer value issues. JPMorgan Chase and Co., for instance, devoted an entire section on their efforts to protect clients during the global financial crisis in 2008, including subsidizing loans, modifying mortgages, and helping in the case of foreclosures. Such efforts were valuable in two ways: financial service providers could help their clients remain financially afloat, and maintain clients who might otherwise have lost a lot of money.

Employees

The one principle that the UN Global Compact, Global Reporting Index and Social Accountability Index all address is labor rights. The UN Global Compact devotes four of its 10 principles to labor, while social accountability international's criteria all relate to employee rights and empowerment. Accordingly, 90% of Fortune's Top 50 companies had a section on employees, discussing employee rights, development, and diversity, among other things. Figure 7 indicates how Fortune's Top 50 companies met our employee standards, by percentage.

We tested a broad range of principles, including

employee benefits, diversity, education, and health/safety. The high percentages for these sections echo the need to meet labor criteria in international standards. 42 of Fortune's Top 50 companies discussed employee diversity in terms of creating a workforce that is representative of the world at large. 39 companies discussed employee education, offering personal development programs or payment for graduate programs aimed at career development. 37 companies discussed employee benefits, including offering pension plans, retirement plans and benefits for retirees, among others. 36 companies discussed employee health/safety, providing healthcare for employees and ensuring workplaces safety.

Of the 11 companies that did not discuss employee safety/health, nine of them were financial services providers. There are 17 financial services providers in Fortune's 2010 Top 50 companies, meaning that more than 50% of the financial services companies do not openly address employee health/safety in their CSR reports. This may be because the employees of financial services providers usually do not work in dangerous conditions on a daily basis.

As the statistics make clear, it is generally the case that if a company directly addresses labor issues, it will discuss employee benefits, diversity, education, and health/safety. General Electric, for instance, has an inclusive employee empowerment plan that covers all the areas we tested. It has a pension plan that covers 635,000 employees and retirees. It emphasizes employee safety and successfully reduced work related injuries by 16% in 2009 from the previous year. And the company's CSR report had an entire section on diversity in human capital

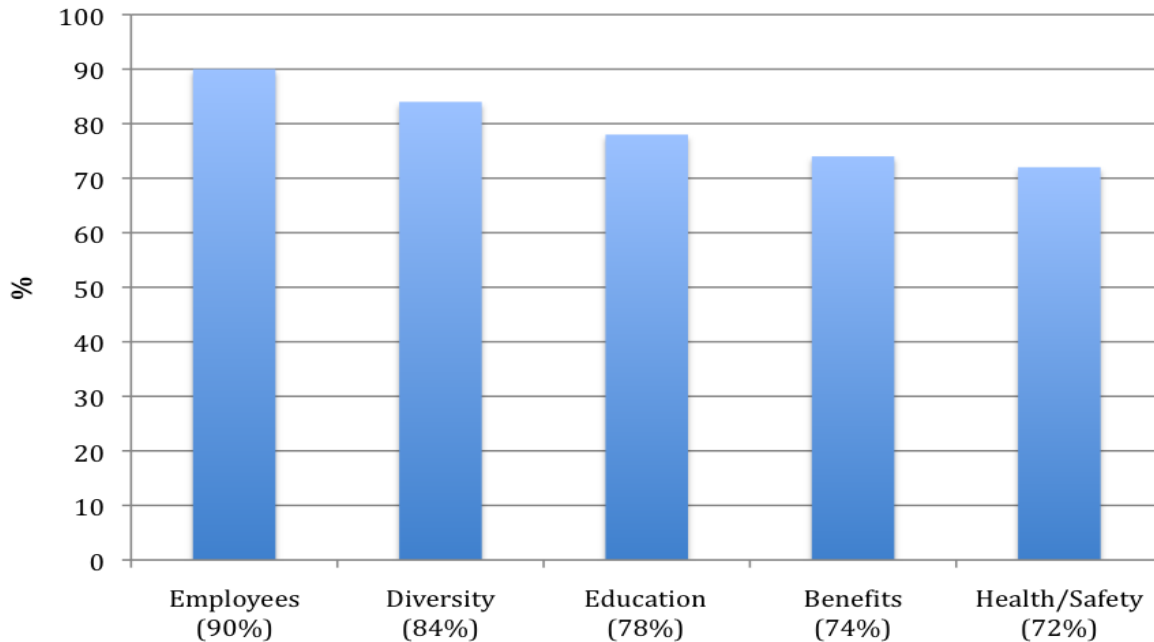


Figure 7. Results of how Fortune's Top 50 companies met employee standards.

(General Electric, 2009).

Suppliers

A company's relationship to its suppliers is very important because of the interdependence of the two sides. The suppliers are dependent on the company for income, while the company requires the goods the suppliers provides. In the same light, if a company does not require social responsibility from suppliers, then its future fidelity to CSR is not as meaningful. While addressing suppliers, we tested for two criteria. First, we looked at safety/sustainability. We wanted to find out if a company looked into the records of its suppliers to make sure they also paid adequate attention to CSR. Next, we looked at integrity/training. Did companies focus on training their suppliers on integrity and other CSR issues and encouraging them to give back to their community as well? Figure 8 indicates that Fortune's Top 50 companies generally care about the CSR records of their suppliers and want to make sure their suppliers focus on it as well.

39 of Fortune's Top 50 companies discussed their efforts in selecting responsible suppliers in the CSR reports or website sections. Of course, this is a principle that will differ across industries. Of the 11 companies that did not address suppliers, four were financial services providers. This is probably because companies that provide a service rather than a product do not rely on suppliers for their daily activities.

The next question we asked was about the efforts these companies made on behalf of their suppliers. Did

companies invest resources into ensuring the safety of their suppliers? Did they select suppliers based on their safety record? What kind of efforts were companies making to select sustainable suppliers? According to our analysis, 34 of Fortune's Top 50 companies discussed the safety/sustainability of their suppliers.

Furthermore, what kind of financial integrity did companies demand of their suppliers? Did companies ensure that their suppliers abide by the same CSR standards as they do? Did they make efforts to train their suppliers in CSR practices? With these questions in mind, we found that 37 companies addressed supplier integrity/training.

Finding responsible suppliers is particularly important for companies that depend on others for their parts, and this is particularly the case for automobile and parts companies. For instance, Ford and its suppliers jointly research driver safety and collaborate on human rights issues. Approximately 150,000 of Ford's suppliers' staff have been trained in human rights based on Ford's outreach programs. Furthermore, Ford makes a concerted effort to engage with management for each of their suppliers (Ford, 2009).

Social outreach

One of the most important aspects of CSR is social outreach and philanthropy. We used the term "social outreach" to incorporate the efforts that companies make to benefit the community within which they operate. For our purposes, it refers to whether a company was

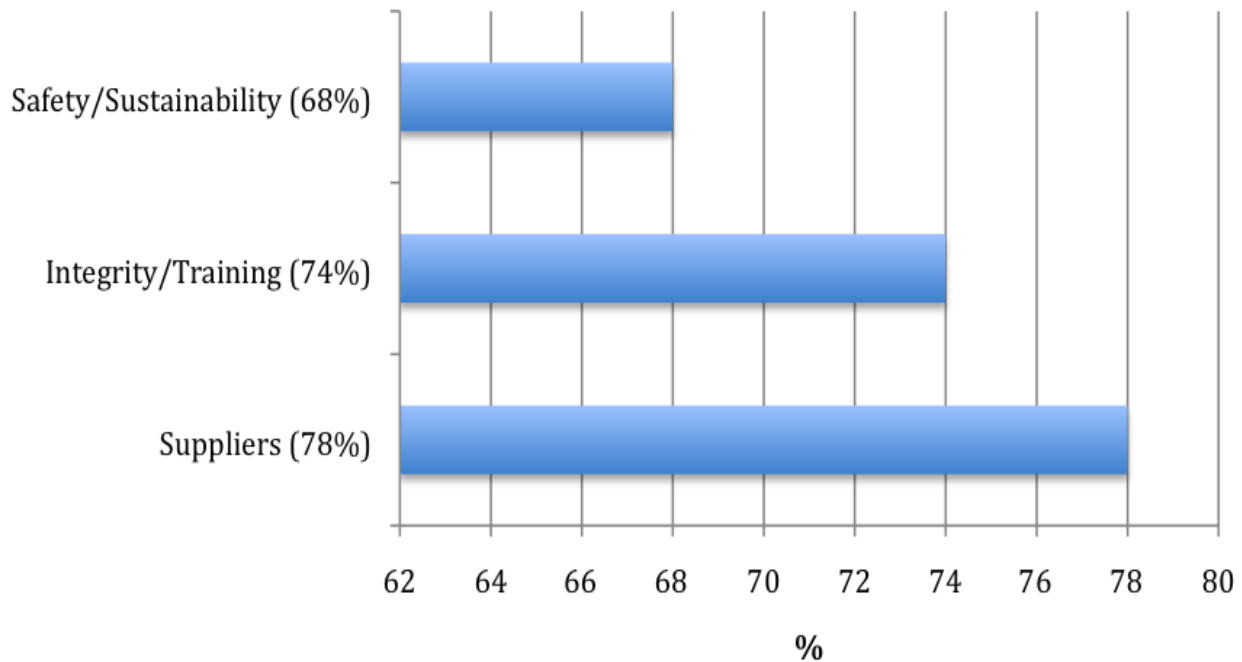


Figure 8. Results of how Fortune's Top 50 companies met suppliers standards.

entering Merrick Dodd's social compact between a company and the community. Are companies willing to give back to the communities they operate in? Moreover, to what extent are they willing to do so?

When testing for social outreach, we looked at five different standards. First, we tested if companies reached out to communities other than their country of origin. Did they make international efforts to benefit the global society? Next, we tested for human rights. Did companies focus on human rights and equality? Did they make efforts to help the disadvantaged? Third, we tested the companies' charitable efforts. Did companies invest financial resources in philanthropic efforts? Fourth, we looked at global health. Did companies contribute to educational efforts or innovative methods aimed at curbing global diseases? Finally, we tested for global education. This principle aimed to discover if companies had any commitment to the development of education, both in their communities and internationally. As Figure 9 indicates, 90% of Fortune's Top 50 companies addressed social outreach in their CSR reports or websites sections.

A critical part of social outreach, according to the UN Global Compact and the Global Reporting Index, is human rights. In this case, human rights refer to social human rights, empowering underprivileged citizens, and protecting and promoting equality throughout the world. Using this definition, we found that 37 of Fortune's Top 50 companies openly discussed human rights. Many companies focused on human rights as a major component of their social outreach program. For instance, Nippon telephone and telegraph, the Japanese

Communications company, had an extensive section addressing their human rights efforts, including employee welfare, anti-harassment, and the protection of citizens. Furthermore, the company holds workshops and e-learning courses programs that enable employees to learn about human rights issues (Nippon Telegraph and Telephone, 2009).

In the broad field of social outreach, another area in which companies have recently invested is Global Health. We found that 31 of Fortune's Top 50 companies addressed Global Health in their CSR reports or website sections. Since these companies range across different industries and countries of origin, they have a varied approach towards global health. For example, Volkswagen, the German automobile and parts producer, has invested in HIV/AIDS prevention (Volkswagen 2009). Chevron, the American oil and gas producer, invests a huge amount of resources in prevention research and treatment programs for AIDS, malaria and tuberculosis (Chevron, 2009). Wal-Mart, the American general retail provider, has emphasized healthy eating options in all their stores (Wal-Mart, 2009).

Finally, Fortune's Top 50 companies often discussed global education as part of their social outreach programs. 37 of the 50 companies attempt to improve education globally. For example, AXA, the French financial services provider, provides grants in both global health and global education. It makes a particular effort to help underprivileged students receive a higher education (AXA, 2009).

Whether it is through sports and culture, global health

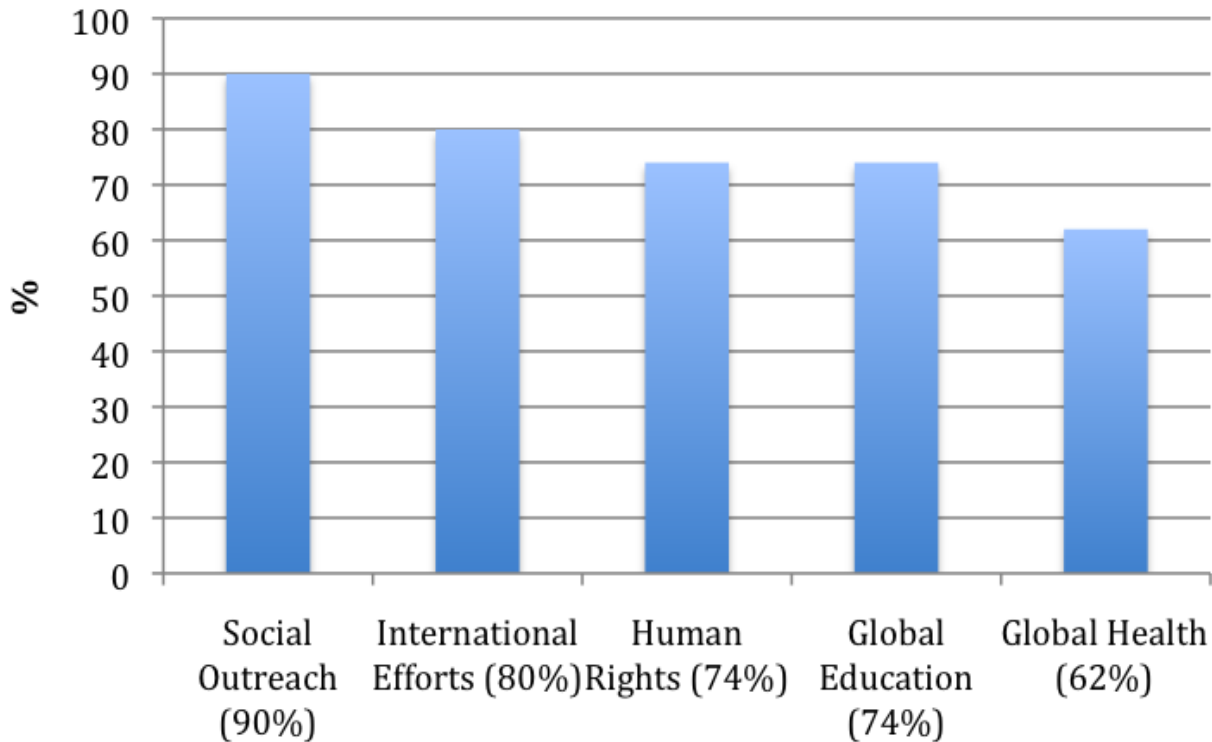


Figure 9. Results of how Fortune's Top 50 companies met social outreach standards.

and education, or human rights, companies focusing on CSR often care deeply about social outreach. Each of these examples of giving back to society is important, and will remain so in the future. Social outreach is an area in which companies can really invest their resources into benefiting the communities in which they operate.

Government relations

One of the fastest growing areas of CSR is government relations. Traditionally, CSR is a means for companies to work within the framework of laws to ensure they use their resources in socially responsible ways. Recently, however, companies have been trying to influence government decisions. This means that many of them have lobbying sections that attempt to influence policy-making or programs designed to educate local and national governments.

Government relations is an interesting facet of CSR. Like social outreach, companies in different sectors and countries of origin can lobby governments around the world, thereby extending their coverage of many issues. In this way, companies can help to change public policy, while still operating within those policies to practice CSR and benefit society.

Government relations is an important area for Fortune's Top 50 companies because of the broad interests and enormous influence they have. Of the 50 companies in

this study, 27 discussed lobbying or some other kind of governmental relationship. For instance, Citigroup, the American financial services provider, has an extensive program for liaising with both American and foreign governments. In 2009, Citigroup worked with members of the United States Congress and Administration on several policies and programs, particularly the Home Affordable Mortgage Program, to assist the recovery from the Global Financial Crisis. The company also consulted and lobbied policymakers on legislative issues, such as regulatory changes, as well as trying to increase student access to credit. Citigroup also collaborated with the UK government on a financial review of London (Citigroup, 2009).

TRENDS TO WATCH

Overall, Fortune's Top 50 companies are clearly doing an exemplary job in regard to their CSR practices, especially considering that 96% of these companies match our definition for a 2009 CSR section. They are also obviously working hard to cover different areas of corporate social responsibility. Based on their formal CSR reports and website sections, companies have clearly indicated some of the most vital areas under which they are operating. Social Outreach is the primary focus of Fortune's Top 50 companies. This finding supports Dodd's call in 1932 for a social compact requiring companies to give

back to the communities in which they operate. Other vital areas include employees, environment, integrity and energy/sustainability, each of which had focus rates of more than 80%.

At the same time, several areas received less attention, including anti-corruption, government relations, global health and renewable energy innovation (all under 70%). We believe these areas are very important and therefore hope Fortune's Top 50 will prioritize them in the future.

To be more specific, as countries become more interdependent, protecting against corruption becomes especially critical for business. Each company should have a program for preventing various forms of internal and external corruption, such as bribery and extortion. Suppliers, employees, and clients also need to learn more about the problems associated with corruption.

Global health also needs to become a priority for Fortune's Top 50 companies' CSR efforts. The growth of the world's population has contributed to the prevalence of disease. This could become a manageable problem if companies are willing to invest in educational programs aimed at avoiding disease or in innovative research for disease prevention and treatment. Companies regularly contribute funds towards recovery from natural disasters, as shown by the \$ 151 million in cash and in-kind donations pledged by companies in the first week after Japan's 2011 earthquake (CNN Money, 2011). If companies invest an equivalent amount in disease prevention every year, there would be a positive effect on millions of lives.

Finally, we believe that in the future, energy will become one of the most important global issues. As the world's need for safe and efficient energy production continues to grow in the coming years, it becomes crucial to find clean and sustainable energy solutions. Companies therefore need to work harder at investing in renewable energy innovation. Oil and gas producers are clearly doing so. The rest of Fortune's Top 50 companies can also become the forerunners in this area by using their enormous resources to find innovative ways of efficiently powering our world for generations to come.

We are fully aware that our research is not exhaustive. By studying only 50 companies, we have restricted the focus to a very small portion of the world's business entities and their CSR practices. Nonetheless, we believe our study covers the most important industries and companies of the world. The CSR practices of these industry giants will have a direct impact on other companies who look to them as trendsetters. If every company puts proportionally as much resources into their CSR efforts as Fortune's Top 50 does, the world would be a much cleaner, safer, and more efficient place.

Conclusion

Generally speaking, Fortune's Top 50 companies have set a good standard of CSR efforts for other companies

to follow. As this article has shown, taken as a group, the 50 companies are meeting the international standards of good CSR practices. These companies do not just follow rules. They are also setting the standards. CSR is a developing process, and Fortune's Top 50 are paving the way for more innovation.

In the future, companies should continue the trend of publishing their CSR efforts for public consumption. This will keep them accountable to their stakeholders. Furthermore, if the trends continue, and companies remain aware of their responsibility to society, CSR has a bright future. We hope in the years to come, throughout the process of economic globalization, other companies will follow suit by becoming as attentive to CSR as Fortune's Top 50.

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APPENDIX 1

Fortune's 2010 Top 50 companies and their CSR reports and website results.

Company (with country of origin)	CSR reports and website results	Company (with country of origin)	CSR reports and website results
1. Wal-Mart Stores (USA) General Retail	Website Section√ Formal Report √	26. Hewlett-Packard Technology Hardware and Equipment (USA)	Website Section√ Formal Report √
2. Royal Dutch Shell (Netherlands) Oil and Gas Producer	Website Section√ Formal Report √	27. E.ON (Germany) Gas, Water and Multiutilities	Website Section√ Formal Report √
3. Exxon Mobil (USA) Oil and Gas Producer	Website Section√ Formal Report √	28. Berkshire Hathaway (USA) Financial Services	Website Section Formal Report
4. BP (Britain) Oil and Gas Producer	Website Section√ Formal Report √	29. GDF Suez (France) Gas, Water and Multiutilities	Website Section√ Formal Report √
5. Toyota Motor (Japan) Automobiles and Parts	Website Section√ Formal Report √	30. Daimler (Germany) Automobiles and Parts	Website Section√ Formal Report √
6. Japan Post Holdings (Japan) Financial Services	Website Section Formal Report	31. Nippon Telegraph and Telephone (Japan) Communications	Website Section√ Formal Report √
7. Sinopec (China) Oil and Gas Producer	Website Section√ Formal Report √	32. Samsung Electronics (South Korea) Technology Hardware and Equipment	Website Section√ Formal Report √
8. State Grid (China) Electricity	Website Section√ Formal Report √	33. Citigroup (USA) Financial Services	Website Section√ Formal Report √
9. AXA (France) Financial Services	Website Section√ Formal Report √	34. McKesson (USA) Health Care Equipment and Services	Website Section√ Formal Report √
10. China National Petroleum (China) Oil and Gas Producer	Website Section√ Formal Report √	35. Verizon Communications (USA) Communications	Website Section√ Formal Report √
11. Chevron (USA) Oil and Gas Producer	Website Section√ Formal Report √	36. Crédit Agricole (France) Financial Services	Website Section√ Formal Report √
12. ING Group (Netherlands) Financial Services	Website Section√ Formal Report √	37. Banco Santander (Spain) Financial Services	Website Section√ Formal Report √
13. General Electric (USA) Energy	Website Section√ Formal Report √	38. General Motors (USA) Automobiles and Parts	Website Section√ Formal Report
14. Total (France) Oil and Gas Producer	Website Section√ Formal Report √	39. HSBC Holdings (Britain) Financial Services	Website Section√ Formal Report √
15. Bank of America Corp. (USA) Financial Services	Website Section√ Formal Report √	40. Siemens (Germany) Technology Hardware and Equipment	Website Section√ Formal Report √
16. Volkswagen (Germany) Automobiles and Parts	Website Section√ Formal Report √	41. American International Group (USA) Financial Services	Website Section√ Formal Report

17. ConocoPhillips (USA) Oil and Gas Producer	Website Section√ Formal Report	42. Lloyds Banking Group (Britain) Financial Services	Website Section√ Formal Report
18. BNP Paribas (France) Financial Services	Website Section√ Formal Report	43. Cardinal Health (USA) Health Care Equipment and Services	Website Section√ Formal Report
19. Assicurazioni Generali (Italy) Financial Services	Website Section√ Formal Report	44. Nestlé (Switzerland) Food Producer	Website Section√ Formal Report
20. Allianz (Germany) Financial Services	Website Section√ Formal Report	45. CVS Caremark (USA) Pharmaceutical	Website Section√ Formal Report
21. AT and T (USA) Communications	Website Section√ Formal Report	46. Wells Fargo (USA) Financial Services	Website Section√ Formal Report
22. Carrefour (France) General Retail	Website Section√ Formal Report	47. Hitachi (Japan) Technology Hardware and Equipment	Website Section√ Formal Report
23. Ford Motor (USA) Automobiles and Parts	Website Section√ Formal Report	48. International Business Machines (USA) High Technology	Website Section√ Formal Report
24. ENI (Italy) Oil and Gas Producer	Website Section√ Formal Report	49. Dexia Group (Belgium) Financial Services	Website Section√ Formal Report
25. JPMorgan Chase and Co. (USA) Financial Services	Website Section√ Formal Report	50. Gazprom (Russia) Energy	Website Section√ Formal Report

√ means the company has a formal report or a website section on CSR.