THESIS

WHAT TYPES OF U.S. COMPANIES JOIN THE UNITED NATIONS GLOBAL COMPACT? AN EMPIRICAL ANALYSIS OF VOLUNTARY INITIATIVE ENGAGEMENT COMPARING THE COMPETITIVE ADVANTAGE, REGULATORY AVOIDANCE, AND NEW MORAL MARKETPLACE APPROACHES

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ABSTRACT OF THESIS

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Previous literature on voluntary initiatives indicates that companies are more likely to join if they are large, diverse, profitable and are experiencing more regulatory oversight. While these findings are interesting, they have yet to be replicated among a sample of United States companies in the case of the United Nations Global Compact. Thus, this study draws upon corporate social responsibility literature as it relates to the United Nation's Global Compact to explore the relationship between Global Compact participation, company characteristics, regulatory oversight, and regulatory violations.

The data for this analysis comes from the United Nations Global Compact Office, the United States Securities and Exchange Commission EDGAR database, the Environmental Protection Agency's Enforcement & Compliance History Online Database, the Dun & Bradstreet Million Dollar Database, Reference USA, along with selected corporate websites. The sample consists of 70 companies that joined the Global Compact and 70 companies that did not join the Global Compact.

Logistic regression analysis suggests that the number of Securities and Exchange Commission litigation documents filed against each company increases the likelihood of

Global Compact participation, as does the size of the company (seen with both sales totals and employees per company); additionally, companies based in manufacturing are also more likely to sign into the Global Compact. Surprisingly, previous environmental compliance was not associated with participation in the Global Compact. This finding suggests that U.S. companies that join the Global Compact are not "good" or "bad" environmental actors. This study is unique in that findings suggest companies that join the Global Compact appear to be driven primarily by economic regulation as opposed to environmental regulation.

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Chapter I. INTRODUCTION

What motivates corporate behavior? This question has been extensively examined by researchers studying a variety of topics, such as corporate crime and regulation (Alvesalo et al. 2006), voluntary decision making (Hess, Rogovsky and Dunfee 2002), company compliance (Parker and Nielsen 2009), securities fraud (Perino 1998), corporate political donations (Schuler 2008), corporate philanthropy (Murray 2004), and corporate governance (Arthaud-Day 2005). Many companies claim that their behavior is motivated by their desire to be socially responsible as opposed to their desire to seek profits and expand. Despite such claims, there is an abundance of documented reports of companies adopting a socially responsible business atmosphere while simultaneously violating various laws or regulations. Such behavior draws interest and scrutiny from civil and government agencies, along with legions of researchers.

Corporations have a significant influence on society and are being looked to for positive contribution beyond standard business practices (Warhurst 2005). This attention is further perpetuated by the impact of corporations on our daily lives. They control the banks where we invest our money, the stores where we purchase our food, the companies that help us connect with one another via phone, internet, radio, and television, and the factories where the cars, bikes, trains, planes, and buses that get us to and from our places of work and recreation are built. All of this is just the tip of their ever-expanding influential iceberg. If all large corporations disappeared tomorrow, we could go into a technological and information dark age for a significant period until, more likely than not, other corporations would organize.

Due to this influence, as well as the clouded and amorphous pledges of social responsibly by U.S. corporations, this work extends the research in the area of corporate motivations toward compliance changes, specifically examining the differences between corporations that have and have not joined a particular voluntary initiative, the United Nations Global Compact (detailed later). Companies within the U.S. are used due to the availability of comprehensive information needed for analysis, along with the propensity of U.S. companies to tout themselves as being involved in their communities and creating their own corporate social responsibility (CSR) initiatives. Looking over major corporate websites, the terms “corporate responsibility” or “responsible citizen” can be found linking to stories detailing both internal company goals and mission statements along with stories of civic achievements (Coca-Cola 2010; DuPont 2010; Ford Motor Co. 2010).

In attempting to determine what differences exist between companies that have and those that have not signed the Global Compact (GC), the larger question of motivating factors behind corporate social responsibility becomes the structure of the analysis. Although the Global Compact is not a measure of the entirety of a company’s commitment to their community (however they define “commitment”), the GC is a method for adhering to the broad concepts of corporate social responsibility through a set of principles that companies agree to abide by. After looking at the variety of literature in this area, the Global Compact, a non-binding multilateral initiative created in early 2000 to help companies align their activities to those of the general corporate social responsibility movement, became the focal point of this work and the analysis throughout.

There has not been a comparable study that looks at the Global Compact and all companies within one country (the U.S. in this study) that have signed it; nor has there been a comparison of companies within the same social context. The intention of this study is to see whether there are significant differences between the companies that have signed the Global Compact compared with other companies within the U.S. that have not signed it. Specifically, the focus is to see how signees of the GC compare with other companies in the U.S. in relation to their company characteristics, environmental and regulatory performances, and the pressures they are under from governmental agencies in these areas, and how that matches up with previous literature on voluntary initiatives. This works aims to answer the following questions: How do U.S.-based companies that have signed the Global Compact compare with other companies in the United States? If differences exist, do they match up to previous research on voluntary initiatives, and to what degree?

Determining if there is a relationship between environmental and regulatory pressures on companies and their engagement in voluntary initiatives is important given the current debate between those involved in the corporate social responsibility movement and the movement's critics. There is disagreement on the motivations driving companies to engage in corporate social responsibility, with one side claiming that there is a newly unearthed "moral marketplace" where companies feel obligated to contribute to the communities they reside in (Hess et al. 2002). If this is true and companies are ethically driven to participate in measures of corporate social responsibility, then a negative relationship between violations and participation in the Global Compact is expected. Companies choose to engage in voluntary initiatives because they either are actively seeking ways to be involved in different types of corporate social responsibility or feel obligated to participate due to some internal drive within the company, meaning they should have lower violations compared with companies without these motivations.

The inverse argument of the “new moral marketplace” (Hess et al. 2002) stance contends that companies are not interested in actual engagement with, or the values of, corporate social responsibility and its potential benefits; they are simply looking for camouflage to hide their wrongdoings. If this is the case, then a lack of association, or a positive association, would indicate that companies are either joining the Global Compact as a symbolic gesture without any actions behind their commitment or that they are trying to offset the potential negative image that the company may be accumulating through violations of rules enforced by regulatory agencies. The Global Compact would then be an instrument for touting oneself as a “responsible” actor without having to make any real changes to the companies’ processes that brought about the regulatory pressure and violations. If this is the case, it is expected that these companies may actually have higher numbers of violations than those companies that have not signed into the Global Compact.

There is yet a third argument being made in the voluntary initiative literature, which centers on companies engaging in voluntary initiatives not due to a moral obligation or in an attempt to conceal their wrongdoings; it is argued that instead, they are doing so to gain a competitive advantage over other firms (Hess et al. 2002). This line of reasoning focuses on a company’s abilities to capture and maintain a prominent position in either their industry or community through voluntarily changing their business practices for the betterment of those they interact with. These three concepts – regulatory avoidance, new moral marketplace, and competitive advantage – will be the framework of the argument throughout this work and the base of the concluding analysis.

Organization of Research

To understand the Global Compact (GC), it is important to first understand why it was created. Chapter II focuses on the definition, background, and types of social responsibility being discussed by various researchers. This work both provides a basic understanding and increases the readers' overall awareness of the social responsibility movement and the different aspects that are commonly discussed in relation to this movement. Related to corporate social responsibility, the following topics are discussed: a brief history of the CSR movement, a description of how companies get involved in CSR practices, details of the ways that CSR affects communities, an explanation of how CSR and regulations are intertwined, and a discussion of the relationship between CSR and corporate power. This chapter also covers various models of CSR and the issues with its implementation.

Within the CSR movement are talks of voluntary initiatives, actions, or plans that corporations put into place to either positively influence the community around them or avoid regulatory actions through a variety of methods. Chapter III explores reasons why companies become involved in voluntary initiatives such as the Global Compact, largely focusing on the three concepts introduced above (regulatory avoidance, new moral marketplace, and competitive advantages). This chapter also details some of the forms voluntary initiatives take besides the GC. The history of the GC, how it functions, its current global reach, how companies join the program, and how it relates to this research are the focus areas of Chapter IV.

In Chapter V, methodological details are provided to indicate how the data were accumulated, along with a discussion of the variables that are used and the coding scheme of those variables. Connections are made between the variables being used in the analysis and the reasons that companies join voluntary initiatives or become active in the CSR movement. The following chapter, Chapter VI, is the analysis section of the work describing the initial comparisons of company characteristics, along with the findings of the logistic regression models created from the data collected. This work concludes with a further discussion of the findings. An interpretation of the findings and the discussion of limitations of this study are provided, and areas for future research are detailed in the final chapter.

<u>Chapter II. CORPORATE SOCIAL RESPONSIBILITY</u>

This chapter provides an overview of the use of the term *CSR*, the ways that it is viewed based on the perspectives of the organizations involved, the motivations that corporations have for engaging in it, and the forms that it takes.

What is CSR?

The term *corporate social responsibility* (CSR) has a variety of meanings. Researchers, politicians, business professionals, non-governmental organization representatives, and consumer society have all used the term, and yet, there is not a conclusive definition that can be applied accurately in each conversation. To add to the confusion, the term *CSR* is used to describe different ideas and actions even within these various circles (Windsor 2001: 229). Due to the multitude of definitions, CSR has been referred to as the "CSR Labyrinth" (Cordoba 2008: 359), with few people sharing the same opinion of what it means and how, and when, it should be applied. In short, there is consensus among CSR scholars that there is no single definition of the concept (Windsor 2001: 227).

Corporate social responsibility is defined rather vaguely as entities "being concerned with the relationship between companies and society and in particular, with constraining the adverse impacts of corporate activity on individuals and communities as a whole" (Whitehouse 2003: 300-301). Whitehouse argues that businesses are trying to avoid negative repercussions that company actions may have on individuals or groups in the societies where these companies are based. Anderson (1989: 9) defines CSR more altruistically, stating that the movement is based on an obligation "to take proper legal, moral-ethical, and philanthropic actions that will protect and improve the welfare of both society and business as a whole." Vies (2004), in contrast, argues that CSR is largely concerned with compliance to various regulations, while also going beyond what is expected:

> The practices of the corporation that, as part of their corporate strategy, complementary and in support of the main business activities, explicitly seek to avoid damage and promote the well-being of stakeholders (clients, suppliers, employees, financial resource providers, community, government and the environment) by complying with current rules and regulations and voluntarily going beyond those requirements. (45)

Though just a sampling of the spectrum of CSR definitions, these examples encapsulate the general mission statement of the CSR movement: connecting companies to society in a positive fashion, or at least minimizing the detrimental effects that they have on the individuals and communities they come into contact with. This is the loose definition of CSR used in this work. Still, there are many facets of CSR that need to be examined by taking a brief look at the history of CSR and how it has become common vernacular among researchers and corporate executives alike.

Brief History of CSR

Wulfson (2001) provides a historical overview of the major CSR efforts undertaken in the United States since the late 1800s, starting with Andrew Carnegie's philanthropic actions and the various foundations, libraries, and endowments that he established. Wulfson also describes the impact that several foundations have had on social welfare (e.g., the Rockefellers, Fords, and more recently Gates). Although these individuals had ample fortunes to be able to spare some of their wealth for such projects, and many did not engage in these activities until after they had accumulated wealth and left the competitive marketplace, their actions changed the views of what corporations, and excess money, can do for American society (Windsor 2001: 230). Wulfson (2001) argues that with the benefits enjoyed through profitable corporations, there also comes an ethical responsibility to give back to those who helped contribute to those fortunes. She quotes Henry Ford as saying, “A business that makes nothing but money is a poor kind of business,” arguing that there is more to the venture of profit seeking than simply keeping it within the confines of the company that generates it. Berlet (1936) points out that since the onset of the 20th century, conversations about CSR began focusing on how companies’ managers started to take more than profit seeking into consideration when they acted on behalf of the companies they worked for. However, these conversations have evolved and have been amplified tremendously in the past couple decades, both in favor of and in opposition to CSR. What began by examining the decisions of managers within companies has now expanded to become the focal point of non-governmental organizations and a variety of corporate watchdog groups, and has even flourished in the business community. CSR is now tied to debates about environmental crime and regulation, human rights, corporate strategic marketing, company image retention and morphing, entrepreneurship, community organization practices, along with various other actors and actions far beyond simple management preferences. To understand why CSR has influenced such a broad array of topics and groups, it is important to understand what the social responsibility arguments entail and to explain the benefits of CSR.

Motivations for Engaging in CSR

Although the term *corporate social responsibility* can be perceived as an unnecessary hurdle, or chore, for a company to become entangled in, there are those who see it otherwise. Porter and Kramer go so far as to say that "CSR has emerged as an inescapable priority for business leaders in every country," and "CSR can be much more than a cost, a constraint, or charitable deed – it can be a source of opportunity, innovation, and competitive advantage" (2006: 1). Corporations can gain from CSR practices, and so can the societies that these corporations are based in. To exemplify the benefits of CSR, both within and outside of a company, Roger Troub (1977) states:

> The environment of the large corporation is the society, and the reduction of social problems enhances the environment in which the corporation exists. Consequently, socially responsible behavior, as it is thought of in this case, is feasible and desirable both for the corporation and for society. (99)

Companies that operate in healthy environments benefit from increased profit-potential, market expansion, employee retention, and increased morale (Amato 2007; Einhorn 2007; Troub 1977). This is not only true in the short run, as when companies provide services for a community, thereby generating positive media coverage (and some philanthropic advertising), but the long-term benefits of a healthy society also lead to more productive and healthier firms (Troub 1977: 100). In looking over numerous corporate annual reports from companies such as Exxon, Pfizer, Coca-Cola Enterprises, Merck, Manpower, etc., there is a consistent theme of continual growth or expansion within their markets.[1] Literature covering the health of corporations and their future plans also points to growth as a barometer for stability and health within a company and across industries (Goth 2009;

[1] Annual reports can be found on their respective corporate websites.

[2] http://walmartstores.com/CommunityGiving/ Accessed Nov 30, 2009.

[3] Hess et al. (2002) argue that the concept of comparative advantage is important for understanding the mechanisms driving companies to engage in voluntary initiatives; they also note, however, that it is most

Ramayana, Semen, and Alan 2002; Brush, Bromley and Hendricks. 2000; Coven, Levin, and Heeled 1999). For most plants, people, or corporations to grow, there must be an environment suitable for that growth; for corporations, that environment is the stability of the communities, towns, and nations that they are based in. Although CSR alone cannot bring about these healthy environments, the practices that some corporations engage in under the umbrella of CSR can help foster thriving communities.

When companies act in socially responsible ways, it increases the public's perception of these companies. Marne Arthur-Day (2005: 1) reports that nearly 20 percent of individuals would not buy from a store or work for a company with poor CSR practices. Moreover, another 20 percent of individuals would weigh the evidence and then decide whether to boycott stores and products. Thus, companies stand to lose up to 40 percent of their customers when perceptions of their CSR are negative. This threat to profit has caused some CSR researchers to question whether companies engage in greenwashing (Simons 2004; Greer and Bruno 1996). Most forms of greenwashing occur when companies appear to engage in activities that seem to change their environmental or social performances but in fact are simply using cover-up campaigns to hide their true actions and intentions (Whitehouse 2006; Videras 2000; Greer and Bruno 1996). For example, in 1999, Phillip Morris spent $100 million dollars advertising its $75 million in charitable donations (Porter and Kramer 2002). Greer and Bruno (1996) describe multiple instances of companies claiming to be acting in responsible ways while at the same time contradicting their statements. Examples include Mobile Corporation intentionally advertizing their trash bags as biodegradable, when in fact they are not, simply to capitalize on an increasingly environmentally concerned public. Another example is when ASEA Brown Bovary Ltd., a Swiss-based power company, claims to be focused on renewable, “clean,” energy sources and yet devote very little of their research and development dollars toward this promise, instead increasingly focusing on fossil fuels. This tactic can also be seen when examining the continual advertising campaigns of Wal-Mart and other major retailers with their self-contradictory “commitments to community” campaigns, embracing one aspect of the CSR movement and yet continually relying on overseas products, employees, and factories founded on dangerous and unstable working conditions (Green 2001; Wal-Mart 2009[2]). This creation of false company profiles and covering up violations can lead organizations to stronger consumer bases and positive images in the markets they are connected to. Although the issue whether companies engage in real CSR behaviors or simply use CSR terminology to help greenwash their public image is a viable and important question that has been explored by others (Greer and Bruno 1996, for example), it is not the focus of this work. This relationship between empty promises and measurable actions will be discussed in more detail later in this chapter.

A number of companies that engage in CSR activities have done so to improve public perception about their business practices (Porter and Kramer 2006), but there are also companies that have started to refine their business practices after having been caught violating human rights, environmental laws, or rules of ethical behaviors. Simon Zadek details this type of occurrence when he discusses Nike’s change from “the poster child for irresponsibility to a leader in progressive practices” (2004: 1). Nike is only one example of a company being caught in the spotlight of enforcement; Zadek also mentions Shell and Danish pharmaceutical company Novo Nordisk as other companies in positive-

[2] http://walmartstores.com/CommunityGiving/ Accessed Nov 30, 2009.

transition periods. These companies have been forced to change their practices through constant supervision and are said to be focusing on the larger picture of their actions, not solely on immediate gains, although only time will tell whether real changes have come about due to this increased scrutiny.

Zadek (2004: 127) details five stages that companies go through to transition to more socially responsible actions and strategies: defensive, compliance, managerial, strategic, and civil. While in the defensive stage, corporations often deny the practices, outcomes, or responsibility for the problems that they have caused. They try to separate themselves from the problem and hope that no further light will be shed on their actions. The compliance stage focuses on adopting a policy-based approach of adhering to the rules that a company has violated and to other potential rules they fear they may not be in compliance with. In the managerial stage, they "embed the social issues into their core management practices," and further this in the strategic stage, when they use those social issues to help form their business strategies (128). Lastly, in the civil stage, they "promote broad industry participation" in socially responsible actions and attitudes, trying to drive other companies to abide by current or proposed standards (128). While not every company goes through these stages, Zadek does provide a framework that assists in understanding the potential steps that non-compliant corporations move through to build themselves up to becoming more socially responsible organizations. The GC seems to be a mix of both the managerial stage, in that it is looking to change the corporate compass to guide future CSR-based practices, and the civil stage, since it is a champion of the CSR movement. This practice of broad-reaching CSR focus and implementation is often referred to as the "triple bottom line of economic, social, and environmental performance" (Porter and Kramer 2006: 3).

Companies that are not profitable tend to be limited in their devotion of time and resources aimed at corporate social responsibility; economic stability is essential if corporations are considering becoming involved in any kind of CSR endeavor. Without economic stability, companies are unable to engage in CSR effectively, or in any kind of duration, since they will cease to operate without generating profits (Porter 2006; Friedman 1977). Once companies have been able to reach a level of freedom afforded by profitability, they can benefit from socially responsible actions in a number of ways. Archie Carroll (1998) describes the U.S.-based company Chick-fil-a as an exemplar of both a financially sound company and a good corporate citizen. This company has such an extensive network of altruistic enterprises that this network alone looks like a separate corporate structure, including: "a charitable foundation, ten foster homes, a summer camp, two separate scholarship programs, and a number of one-on-one programs with children," not to mention the fact that they remain closed on Sundays to give their employees time away from work and with their families (Carroll 1998: 6). With a chain of more than 700 restaurants and a steadily increasing sales record, Chick-fil-a is just one example of how a company can be good at both profit generation and corporate citizenship, though again, profitability is essential in order to maintain their community-driven efforts (Carroll 1998: 4).

When companies change their practices to the extent that they are giving back to society through programs and foundations, these philanthropic efforts can help the companies see where their abilities are best utilized within the needs of a community. These changes can often help them in gaining advantageous connections with other companies both in their own industry and in complementary ones, along with improving perceptions in the communities they belong to (Porter and Kramer 2006: 3-4).

Structures of CSR

Communities are heavily influenced by the actions of companies and businesses that operate in or near them (Whitehouse 2003: 302). This is true through both direct action and the externalities of the actions that corporations engage in (Lee and McKenzie 1994: 973). If a company decides to adopt an environmentally friendly business practice, or starts a new foundation to help solve a particular social problem, that action has ripple effects in that community, changing the social and commercial landscapes. Companies are often aware of these changes, and many of the more proactive corporations have started to plan accordingly. Companies realize their importance to, and influence on, the communities that they are based in, and have thus included some CSR practices into their strategic planning from their inception (Marx 1995: 185). Other companies that have been around since before the CSR conversation existed are now currently changing their business practices to benefit both themselves and their communities. Corporations are increasingly looking to find ways to connect to the communities they are a part of, and because of this, they have adapted different socially responsible, or have avoided irresponsible, business practices. Unfortunately, due to the sheer size of some of these corporations, it is difficult to gauge whether they are acting in socially responsible ways or are simply claiming to do so (Whitehouse 2003: 302). This ambiguous situation leads to new regulations being enacted to monitor these hubs of local and national economic communities.

CSR can be seen as a reaction to correct business practices going forward, but it may also be a response to avoid further regulations being imposed on corporations' activities. Problematic and harmful corporate behavior can cause lawmakers and the public to push for more corporate regulations (Whitehouse 2003: 303). Consequently, a company publically identified for unethical or harmful business practices can create an atmosphere that is supportive of new corporate regulation, which Troub (1977: 98) argues can influence positive corporate behavior because it forces other companies to comply with the law. Two examples of this type of policy change coming about through corporate misdeeds are the 1977 Foreign Corrupt Policies Act and the Sarbanes-Oxley Act of 2002 (Carroll 1998: 3). The Foreign Corrupt Policies Act was enacted after a series of corporate bribery scandals, particularly involving large amounts of money being paid to foreign officials, came to the public's attention. More recently, the Sarbanes-Oxley Act of 2002 was created due to the false and unethical accounting practices by companies such as Enron, Tyco International, and WorldCom.

The concerns over corporate wrongdoings have been heightened since corporations have been able to amass a considerable influence during the past century as they have increased their economic and social power (Bruno and Karliner 2002: 34). Proponents of CSR argue that companies must also be more responsible because of that increased power (Porter and Kramer 2006; Whitehouse 2003; Bruno 2002; Lee 1994; Troub 1977). Lisa Whitehouse (2003: 303) argues that "if companies wish to continue to exercise public power then that power has to be made legitimate." She further argues that since corporations "make private decisions which have public results," their power needs to be both understood and scrutinized (Whitehouse 2003: 302).

When companies use socially responsible practices wisely, they are able to increase their power both in the markets and in the communities in which they operate (Porter 2006: 14). Marx (1999: 185) states that CSR can give a company a competitive advantage, but argues that it is more common with companies that have a more refined "corporate strategy" or utilizing "strategic philanthropy." Companies use focused corporate giving campaigns to target particular audiences in order to bolster their image and increase their market potential. For instance, Mentor Graphics Corp., a software manufacturer, provided a little over $100 million in contributions in 1994, most of which were computer programs and software to various colleges and universities (Wulfson 2001: 137). This type of industry-specific CSR is easier for the companies to maintain. In addition, this improved positive image can often manifest in further or continued patronage by those they are providing services to (in this case the students, faculty, and employees of the university), which often leads to increased profits for the corporation and power within their industry.

Arguments against CSR

One of the more vocal opponents of CSR was Milton Friedman, the Nobel Prize winning American economist, a proponent of laissez-faire capitalism who thought that the idea of companies being held responsible for anything more than simply going about their business was not only wrong but itself irresponsible. He stated in a speech at Pepperdine University in 1977:

> Doing good with other people's money has two basic flaws. In the first place, you never spend anybody else's money as carefully as you spend your own, so a large fraction of that money is inevitably wasted. In the second place, and equally important, you cannot do good with other people's money unless you first get the money away from them. (Friedman 1977: 335)

He, among others, argues that the only responsibility a corporation has is to generate profits (Friedman 1977; Atkins 2006; Silber 1996). Lee and McKenzie (1994: 970) continue this argument stating that corporations should only use shareholders' money, the revenues generated by the companies they own stock in, to increase future share values. Companies should not focus on "bettering" the communities in which they operate; instead, "responsibilities lie with individuals, not organizations" to accomplish this (Silber 1996: 1).

Many authors, even those in favor of CSR, point out that corporations are often good at what they do but are not necessarily the best at solving, or attempting to solve, societal problems (Atkins 2006; Porter 2006; Windsor 2001; Troub 1977). Troub questions whether corporations are best suited to decide which problems are most important to address in society, given their lack of information and connection to many of the issues (1977: 99). He argues that the problems of society are best solved by groups with the most knowledge about the issues, not corporations looking to distribute charitable contributions in order to increase positive publicity.

Utting (2007: 700) suggests that many companies lack the mechanisms to engage in socially responsible behavior or to gauge whether their behaviors and policies are socially responsible. Although regulations are often the cause of shifts to more socially responsible actions, regulations cannot be counted on as a positive incentive, or a negative deterrent, pushing or pulling corporations to embrace the broad CSR movement, if not simply because "laws tend to lag behind ethics" (Whitehouse 2003: 305). If companies are only going to abide by the rules put into place and nothing more, there will be a continuous, drawn-out practice of a company overstepping its bounds or creating environmental degradation, a regulator noticing this violation and making the necessary changes in protocol, followed by the company pushing its limits in another direction. While some corporations continue to engage in the minimal amount of sanction avoiding actions to get under the regulatory radars, their increased power and visibility in society make it more difficult for them to go unnoticed.

With respect to the environment, it is also argued that determining why corporations engage in seemingly socially responsible actions is difficult, at best. This is where the greenwashing argument is rooted. The concept of greenwashing is best described as companies "creatively manag[ing] their reputations with the public, financial community, and regulators" in an effort to "hide deviance, deflect attributions of fault, obscure the nature of the problem or allegation, reattribute blame, ensure an entity's reputation and, finally, seek to appear in a leadership position" (Laufer 2003: 255). Companies are looking to change their image in the eyes of all those whom they seek to impress (current and future customers, investors, regulatory committees, etc.). Silber (1996) states that companies:

> sometimes [do so] because they believe it helps them from a public-relations standpoint, and sometimes because there's someone at the company who believes it's the right thing to do, even if the environmental group [that they are providing funds to] is advocating policies that would put the corporation out of business. (1)

Since many corporations safeguard reports of their activities, it is difficult to tell whether they have chosen to become better citizens or if they are simply displaying an image of having improved their actions without any real changes taking place, further supporting the greenwashing argument. Some companies are not actually trying to better their practices; they are merely trying to put a silver varnish on their old ways. A large number of corporations that promote CSR also argue for fewer regulations and more flexible business parameters (Utting 2007: 701). Companies often select business practices that are easy to change or abide by (perhaps changing light bulbs to low-wattage versions, such as LED or florescent ones) while avoiding changes to problem areas with greater importance (unfair labor standards in overseas factories). Utting, a proponent of socially responsible behaviors, argues that one of the main problems is that CSR practices are done in a piece-work, unregulated fashion, which makes it hard to distinguish between those corporations that genuinely want to make a difference and those that just want the public relations credit for acting in such a manner (2007: 700-703). This debate between greenwashing and meaningful CSR practices is, and will continue to be, an ongoing discussion given the difficulty of ascertaining the true reasons behind corporate responsibility practices.

Future of CSR

Although there are those who doubt the CSR agenda and its importance, the fact remains that the majority of the discussion about socially responsible actions is still relatively new and evolving (Marx 1999: 15). Some think that it is an individual's responsibility to choose which companies he or she does business with and that customers alone are responsible for purchasing products from companies that share their values (Silber 1996: 1). Atkins argues that if people really want companies to behave in more socially responsible ways, they should assist in the efforts. For example, a company should offer the same product at two prices, the higher cost of the product being tied directly to social programs or foundations that customers can choose to support if they would like (2006: 28). Companies in different industries feel more pressure to change their business practices, as has been seen by the increase in CSR practices among service-oriented companies compared with manufacturing-based ones (Marx 1999). Much of this is due to more public exposure, but it is also an attempt to expand corporate market power and brand identification (Marx 1999: 196). If executives do not want to feel the brunt of the blame being placed on their corporations that violate laws and regulations, then they should distance themselves from those organizations; the companies should not have to change their practices to fit the preferences of the individuals in charge (Silber 1996: 1). Advocates for and proponents of the CSR movement are still actively trying to define exactly what it is and its future impact and reach in the business world.

Chapter III. VOLUNTARY INITIATIVES

Through both internal drives and external pressures, companies are pushed toward and pulled into increased CSR awareness. The continuous public pressure for companies to be held accountable for their actions is forcing them to change their policies and practices. While some claim to do so for the betterment of society, or as a measure to ward off governmental agencies by patching up procedures that violate current regulations, there are others that implement new policies to avoid increased regulation in the future (Whitehouse 2006). These new programs, or initiatives, come in a variety of forms and are often voluntary. Corporations are not being forced to sign up for or create them, but they are certainly being guided in that direction either from a feeling within the company or a pressure from their surroundings, be it the market or governmental agencies. Some firms do not want to get involved in voluntary initiatives out of fear of being linked to them perpetually (Einhorn 2007: 568), but the general trend is that companies are becoming increasingly involved in one or more programs (Simons 2004: 131).

Commonalities of Voluntary Initiatives

Hess et al. (2002: 112) argue that successful voluntary initiatives have three main components to them: the “programs are connected to the core values of the firm”; they are linked to the “core competencies of the firm”; and they are evaluated and communicated to the shareholders of the company. Since they are connected to the core values of organizations, the programs often reflect what leadership feels are the more pressing issues in the communities they are based in. Corporations often use their resources to fill those societal voids. Examples of this include UPS delivering needed food and supplies via their shipping routes to communities after disasters, and IBM and Intel providing computer training programs and equipment to various causes in need of their expertise (Hess et al. 2002: 111). This process of using the competencies of the corporation has become more popular since companies can use their day-to-day abilities to help small groups of people, entire communities, or individuals with a variety of projects and campaigns. Internal corporate actions are evaluated on a yearly to monthly basis and voluntary programs that capitalize on existing company resources are often significantly more cost efficient and effective than donations to local charities (Hess et al. 2002). This is particularly true if the company gets employees to donate their time to causes, meaning few out of pocket expenses through utilizing the tools and resources at hand. The key to successful voluntary initiatives is that companies need to set clear goals, both for themselves and for the other groups involved. This often involves establishing a costs-benefits analysis of the program prior to, and following, its implementation (Hess et al. 2002: 121). Alberini and Segerson (2002: 157) argue that a further measure of success is seeing if a firm’s payoff is “at least as high as it would be without participation, i.e., the firm must perceive some gain (or at least no net loss) from participation.” Even companies with the most altruistic intentions want to see how their programs are benefiting the firm, along with the community.

Why Companies Join Voluntary Initiatives

There are several factors influencing the likelihood of a company joining voluntary initiatives, ranging from different characteristics that organizations have (large sales volumes or numbers of employees, discussed further in the methodology section) to more general characteristics. Hess et al. (2002: 112) argue that there are three main reasons why companies engage in voluntary initiatives: (1) to gain a competitive advantage in the markets they are a part of, (2) to show that they are part of the new moral marketplace, and/or (3) to gain a comparative advantage while being concerned with the problems of society. This research draws upon the literature on voluntary initiatives to expand two of these possible motives ("competitive advantage" and "new moral marketplace"), while it also includes regulatory avoidance as a potential fourth reason companies engage in initiatives, in this case the GC.[3]

Gaining Competitive Advantage

Corporate images are often the main reference for current and potential customers. Brammer (2005: 30) argues that there are two strategic goals for voluntary initiatives that help bolster corporate images: companies want to either "demonstrate their social responsiveness to the communities in which they operate" or stimulate general goodwill within those communities. Voluntary initiatives help to build positive company images, which can increase revenues. Khanna et al. (2007: 753) claim that companies decide to engage in voluntary initiatives to "influence markets for their products, obtain higher

[3] Hess et al. (2002) argue that the concept of comparative advantage is important for understanding the mechanisms driving companies to engage in voluntary initiatives; they also note, however, that it is most often found in developing countries (due to new industries forming). In mature industries embedded in developed countries, it is often only distinguishable (i.e., measureable) between private and public firms. This work primarily examines public companies in the U.S. and thus does not include the category of comparative advantage in the analysis.

prices for their products, and lower the cost of labor, capital, and environmental regulations." Companies are not merely trying to change the environment in which they are operating; they are looking to benefit directly from that change. Thus, companies may approach the GC as they would approach advertising. Those with the most resources would be more likely to join the GC (Amato and Amato 2007).

There are a number of economic benefits companies can reap when they engage in voluntary initiatives, but a "better corporate image and reputation are arguably the most important of these benefits" (Hess et al. 2002: 113). Two of the variables used in this analysis, which assist companies in gaining a competitive advantage, are related to company size: sales totals and the number of employees a firm has on staff. Arguments have been made (Amato and Amato 2007; Bennie et al. 2007) that larger firms are more likely to engage in voluntary initiatives due to their ability to use more resources to join and leverage their participation in voluntary initiatives. Smaller firms may want to become involved in initiatives but are unable to come up with the necessary resources to participate. Thus, voluntary initiatives allow large companies to market themselves in a way that may help them gain a competitive advantage over smaller companies that do not join initiatives.

Amato and Amato (2007) also argue that smaller firms, those highly connected to their social environments, are more likely to become involved in voluntary initiatives so they can promote themselves as being aware and active in their communities. This small-company connection to a community, or ability to make use of local resources for an initiative, gives firms a new angle to market themselves, thus potentially increasing their competitive advantage. Amato and Amato's findings that small firms are likely to engage in voluntary initiatives will also be part of the analysis in this work.

New Moral Marketplace

Many voluntary initiative researchers claim that the norms of the business community are changing and that more companies are leaning toward voluntary approaches to improve social problems (Vogel 2008: 262). Thus, companies have become increasingly responsive to morally charged issues in their environment, which has escalated the responses to those causes. Hess et al. (2002: 115) claim that "while managers have a basic duty to undertake actions to maximize shareholder value, they also have an obligation to respond to and anticipate existing and changing *marketplace morality* relevant to the firm" (emphasis added). Much of this is due to the drive to keep pace with the CSR actions of other firms or to match the expectations of their customer base. This is true not only for the outward actions of business; employees also examine the core values of prospective employers (Hess et al. 2002). The environment in which corporations exist is evolving to become more receptive to ethical issues, and because of this, their attitude toward CSR, and their subsequent actions, have changed as well. This change in attitudes toward voluntary initiatives is reflected in a statement posted on DuPont's website (2010), talking about the Global Compact:

> The DuPont core values of innovation and discovery, safety and environmental stewardship, integrity and high ethical standards, and treating people fairly and with respect meet and in many respects exceed the goals embodied in the values set out in the Global Compact.

These words are echoed on many corporate websites, with companies arguing that they are focused on the environment, the community they are based in, or, as in Coca-Cola's case, every community they touch: "We are a global company with local roots in every community where we do business. We are committed to the needs of our communities" (Coca-Cola 2010). Coca-Cola and DuPont are arguing that they are committed to assisting, or being "stewards" of, their community through their own internal corporate character, something that falls in line with the new moral marketplace discussion. If such claims are true, then companies that join voluntary initiatives are likely to be better corporate citizens than companies that do not join. Thus, companies that join voluntary initiatives should have fewer violations than companies that do not join such initiatives. To examine this new moral marketplace, a group of variables related to environmental stewardship (EPA violations), along with financial judiciousness (SEC litigation totals), will be examined, with GC signees expected to have lower rates than non-signees.[4]

Regulatory Avoidance

As discussed in the CSR section, there is an argument that corporations do not feel morally compelled, pushed by a desire to gain a competitive advantage, or do not think about how well they may be able to assist communities they are in; instead, they are simply avoiding regulation (Vogel 2008; Bennie, Bernhagen and Mitchell 2007; Murray 2004; Alberini 2002; Videras and Alberini 2000). Khanna (2007: 754) states that firms can "preempt regulation, shape future regulations, gain competitive advantage and market share, build corporate reputation with communities and environmental groups, and lower the costs of capital by reducing liabilities." The more visible a company is, and the more contact it has with regulatory groups, the more it attempts to make at least symbolic changes in company policies. This will be discussed in greater detail in the methods and variables section of this work. This "avoidance of future regulation" concept is one of the

[4] Both of these variables will be explained in full detail in the methods and analysis section of this work.

main drivers of the extensive greenwashing debate.

Three variables in this analysis will examine the regulatory avoidance argument for joining the Global Compact: the number of sites that the Environmental Protection Agency (EPA) is monitoring per company, the number of violations the EPA has charged each company with, and the number of litigation documents filed against each company by the United States Securities and Exchange Commission (SEC).[5] If these variables (particularly EPA violations and SEC litigation documents) are positively related to joining the GC, then this will further bolster the regulation avoidance concept, with companies acting to mitigate their violations through other positive means. Companies with low violation totals might not be as concerned about signing into the GC since they are either familiar with or abiding by the regulation process, whereas those companies already in trouble with regulators (those with high violation totals) would be more likely to sign into the GC. If this is true, then it is expected that companies that have signed the GC will have more violations than those that have not signed. These measures will be detailed later in this work, but they are all part of the analysis looking to see whether companies that are "good" or "bad" actors are more prone to join the Global Compact.

Types of Voluntary Initiatives

Voluntary initiatives come in a multitude of forms ranging from specific internal codes of conduct to sweeping environmental regulations. According to Alberini and Segerson (2002), there are three types of voluntary initiatives: unilateral (involving only one company), bilateral (involving more than one company, deemed multilateral throughout this section), and government-based. Bilateral and multilateral agreements

[5] These variables can be argued to be part of the "moral marketplace" standpoint, or the "regulatory avoidance" standpoint, which is discussed in detail later in this work.

have a similar framework (involving multiple companies, *bilateral* specifically referring to only two) and are collapsed into one category for illustrative purposes.

Unilateral initiatives are those undertaken by a single organization, a policy change, or new sustainable manufacturing guidelines. Abatement actions are initiated by the polluters, and regulators do not play a role in the enforcement (Alberini and Segerson 2002: 158). Unilateral programs can be fairly loose and flexible since there is only one company involved in the process, and changes can be made whenever the organization feels compelled to do so.

Multilateral initiatives can extend to a just a handful of organizations or thousands of companies, depending on these initiatives' breadth and intent. Agreement terms are often "determined by negotiation between the regulator and the [violator]," which at times involves a neutral organization doing the "regulating" (Alberini and Segerson 2002: 158). The violator generally agrees to certain pollution abatement activities, and the regulator agrees not to take enforcement-type actions against the polluter, commits to providing technical or financial assistance, or agrees to grant permits or approve other activities if certain steps are taken (2002: 158). Multilateral initiatives are becoming more popular and utilized given that there is an information sharing process involved; they are generally more recognizable and respected than unilateral programs, and the companies themselves do not have to set up or oversee the process. Companies can sign up for these programs, or they can be directed at entire industries, depending on the intentions of the organizations involved. The UN Global Compact is one of these initiatives, which will be explained in detail in the next chapter.

Lastly, government-based initiatives are contracts or regulations set up by one or multiple government agencies and then followed by the group(s) of companies that are under the governments' its influential umbrella. In this approach, both groups set up the parameters of the initiative, or the government agency can decide what it entails, and then it is decided how the companies are punished or rewarded (Alberini and Segerson 2002: 158). These, too, can range from simple to complex, often involving evaluation measures taken up by a range of federal programs and offices. The EPA, for example, has established systems to help limit the amount of pollutants companies can emit without being penalized. One example was the 33/50 program (designed to reduce regulated chemical emissions by 33% by 1992 and 50% by 1995 based on their 1988 volumes) and their Audit Policy, set up to encourage companies to report violations and, in return for doing so, have some penalty leeway (Stretesky and Gabriel 2005). Companies can be hesitant to sign up for these programs since they are monitored by governmental agencies or departments, and violations by an organization can concurrently be detected, penalized, and made public, depending on the severity of the incident.

While the types of voluntary initiatives, and the reasons for joining them, are the larger foundation on which this work is built, the focus of this work will be a particular voluntary initiative, the Global Compact. The GC is an example of initiative based on principles set up to foster CSR among corporations, governmental agencies, universities, and other public groups. It involves companies from around the world that signed into a shared agreement to adhere to principles set up and monitored by the United Nations. A detailed discussion of this voluntary initiative and its structure follows in the next chapter.

Chapter IV. THE GLOBAL COMPACT

The Beginning

From 1997-2001 John Ruggie served as United Nations Assistant Secretary-General for Strategic Planning – a post created specifically for him by then Secretary-General Kofi Annan – where he was responsible for establishing and overseeing the UN Global Compact, now the world's largest corporate citizenship initiative (Ruggie 2009). Ruggie is currently a professor of International Affairs and the Director of the Center for Business and Government at the Kennedy School of Government and an Affiliated Professor in International Legal Studies at Harvard Law School (Ruggie 2009). In 2005, responding to a request by the UN Commission on Human Rights (now the Human Rights Council), Annan appointed Ruggie as the Secretary-General's Special Representative for Business and Human Rights, a post he continues to hold in the new UN administration under Ban Ki-Moon (Ruggie 2009). His influence over the operations of the GC and the communication of its principles is still extensive today (Vogel 2008).

In January of 1999, Kofi Annan announced the birth of the GC at the World Economic Forum in Davos, Switzerland and set the tone for the Compact going forward, stating the "goals of United Nations and those of business can, indeed, be mutually supportive" (Annan 1999: 1). Annan wanted to take the relationship between businesses and the UN to a new level via the Global Compact, proposing that UN and business leaders "initiate a global compact of shared values and principles" (Annan 1999: 1). The growth of transnational corporations spurred Ruggie and Annan to link the UN to the corporate world by developing a guide for companies to follow while engaged in corporate social responsibility. Annan (1999) stated:

> Globalization is a fact of life. But I believe we have underestimated its fragility. The problem is this, the spread of the market outpaces the ability of societies and their political systems to adjust to them, let alone guide the course they take. History teaches us that such an imbalance between the economic, social, and political realms can never be sustained for long. (1)

Annan wanted to make sure that businesses take into consideration the actions they are engaged in, and given their extensive reach, were affecting billions of people. The Global Compact was created using the frameworks of the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration of Environment and Development, and the United Nations Convention Against Corruption (UN Global Compact 2009a; Bennie 2007; Annan 1999). Ruggie wrote that "business has created a single global economic space; but we lack the adequate social or political means to govern that space;" This "lacking means" was the main push behind creating the GC (Ruggie 2004: 1). Annan (1999: 4) continues, "National markets are held together by shared values," but in an international market those values differ greatly between companies operating in opposite corners of the world. Society needs to choose "between a selfish free-for-all in which we ignore the fate of the losers, and a future in which the strong and successful accept their responsibilities, showing global vision and leadership" (Annan 1999: 4). The GC, he claims, is there to guide strong and successful businesses towards a greater future.

What is the GC?

The UN Global Compact is a multilateral agreement for businesses, NGOs, academic institutions, and governmental agencies to engage with each other in a conversation of responsible action.[6] The GC is composed of a set of principles that companies agree to abide by in all of their business practices. These fall under four headings: Human Rights, Labor, Environment, and Anti-Corruption. The principles are the foundation of the GC and can be found throughout its literature and are reproduced here as they are seen in the "UN Global Compact Annual Review: 2008 Leaders Summit" manual:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labor

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: The elimination of all forms of forced and compulsory labor;
- Principle 5: The effective abolition of child labor; and
- Principle 6: The elimination of discrimination in respect of employment and occupation

Environment

- Principle 7: Businesses are asked to support a precautionary approach to environmental challenges;[7]

[6] The concept multilateral agreement is referred to as a pact, or understanding, between a variety of individuals or entities who share the same goal or values.
[7] "Precautionary approach" refers to companies attempting to have a limited impact on the environment(s)

- Principle 8: Undertake initiatives to promote greater environmental responsibility; and
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Business should work against corruption in all its forms, including extortion and bribery.

These principles were chosen because they "are values people all over the world will recognize as their own" (Annan 1999: 2). The principles attempt to cover all of the pressing social issues that companies come across in their daily workings and promote fair treatment of communities they interact with, the individuals within the corporations, and the environment. However, the Global Compact is not a legally binding agreement. It is, as Annan (1999: 3) claims, a genuine compact "because neither side of it can succeed without the other." Without the active engagement of corporations the principles will amount to nothing but meaningless words and the Compact itself will be something "we can celebrate and make speeches about, but with limited impact on the lives of ordinary people" (Annan 1999: 3). The GC is intended to alter the direction that organizations are headed, helping them embrace the ideas of social responsibility and providing guidance along the way.

Joining, and Remaining Engaged in, the Global Compact

The process companies go through to join the Global Compact differs from that of other groups (universities, NGOs, etc.); this work only covers the company related process. There are two main steps that companies need to take in order to become a part

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they are based in, or will be targeting for future expansion.

of the GC. First, the company must prepare and submit a "Letter of Commitment from the Chief Executive Officer (endorsed by the Board of Directors) to the Secretary-General of the United Nations expressing support for the Global Compact and its principles," along with completing an online "Organization Registration Form" (UN Global Compact 2009a). Once a company has submitted the Letter of Commitment they are, as stated on the Compact's website, expected to:

- Make the Global Compact and its principles an integral part of business strategy, day-to-day operations, and organizational culture;
- Incorporate the Global Compact and its principles in the decision-making processes of the highest-level governance body (i.e., the Board of Directors);
- Contribute to broad development objectives through partnerships;
- Integrate in its annual report (or in a similar public document, such as a sustainability report) a description of the ways in which it implements the principles and supports broader development objectives (also known as the Communication on Progress); and
- Advance the Global Compact and the case for responsible business practices through advocacy and active outreach to peers, partners, clients, consumers and the public at large. (UN Global Compact 2009a)

Since the majority of these expectations are not based on measurable actions, but rather changes in attitudes and furthering the Compact's mission, the main portion that the companies *have* to abide by is the Communication of Progress (COP) report. The UN claims the COP report is part of the learning process of the Compact, and is the only way that organizations can maintain their membership. As the Compact's website claims "the annual posting of a COP is an important demonstration of a participant's commitment to the UN Global Compact and its principles" (UN Global Compact 2009a). If companies failed to submit a COP each year they were, up until January of 2010, put in a probationary participant status and after two years without a COP they were delisted; current policy demands that companies are delisted after one year of noncompliance (UN Global Compact 2009a). From the start of the Compact through 2007 there had only been 396 companies delisted, though since January of 2008 more than 1,400 organizations have been delisted, 859 of those happening between October 1, 2009 and January 1, 2010 (UN Global Compact 2009b; United Nations Global Compact Annual Review 2008). If a company is delisted and wants to participate again they can rejoin the Compact by sending in a new Letter of Commitment and then must continue to submit yearly COPs to stay active.

To help with the financial burden of maintaining the Compact's office, along with organizing the various forums, meetings, and learning programs that members of the GC can take part in, participating companies are asked to make annual financial contribution to help support the work of the Global Compact. The expected contribution levels are as follows:[8]

- For companies with annual sales/revenues of $1 billion, the suggested annual contribution is $10,000;
- For companies with annual sales/revenues between $250 million and $1 billion, the suggested annual contribution is $5000;
- For companies with annual sales/revenues of less than $250 million, the suggested annual contribution is $500. (UN Global Compact 2009a)

These are only suggested donation amounts, companies can give more or less as they prefer. Once companies have signed into the GC they can find support through "Local

[8] Value are in U.S. dollars.

Networks" (UN Global Compact 2009). As of early 2010 there are 80-plus Local Networks that have been established and maintained in different regions around the world. These networks are often where companies turn to when looking for guidance, and these networks provide "opportunities for participants to improve [their] understanding and share experiences of the Ten Principles and partnerships, as well as how to report on progress in these areas" (United Nations Global Compact Annual Review 2008). More than sixty percent of companies signed into the GC belong to Local Networks, which increases their exposure to, and understanding of, the Compact and its goals (UN 2008).

GC Membership Profile

As of December 1, 2009, 7,147 companies signed the GC; 5,203 of which were businesses and 1,944 of them were government oriented, non-governmental organizations (NGOs), schools, foundations, and other public and private groups and organizations (UN Global Compact 2009a). Participants hail from 135 countries and nearly half (47.7%) are based in Europe. There are 345 participants based in the United States (only 4.9% of the total participants), and 229 of those participants are companies of varying sizes. This lack of U.S. participation can be partially explained by the fact that the vast majority of the time the GC has been functioning the United States government, then lead by George W. Bush, has taken steps to distance itself from the United Nations (Bennie et al. 2007: 740), but this is only partially to blame for the low numbers. Despite the fact that many researchers acknowledge that most US companies do not actively engage in the GC, few studies have examined this issue. Thus, determining what factors may predict U.S. company membership in the Global Compact may provide some important empirical evidence that indicates why U.S. participation rates are low. As previously noted, this study explores differences between those U.S. companies who have joined the GC and those U.S. companies that have failed to join the GC. Extant research on participation in voluntary initiatives is examined to help identify the best predictors of GC participation. That literature is reviewed in more detail in the next chapter.

Chapter V. METHODS AND VARIABLES

Sample

The companies used in this analysis are all headquartered in the United States. This is for a number of reasons: (1) since there is an increasing amount of pressure within the U.S. for companies to show some indication of being socially responsible, (2) the researcher's personal interest in the actions of U.S. corporations, and (3) the availability of detailed corporate information (Whitehouse 2006; Warhurst 2006). To determine which companies signed into the Global Compact, the United Nations GC website (www.unglobalcompact.org) was used to compile a list of all participants that are based in the United States. The UN website allows visitors to narrow down search preference to region (Asia, Europe, etc.), country, all participants vs. business participants, and the dates that the different organizations officially signed the GC. Upon selecting the United States and "all participants," it showed that there were 283 signees of the GC based in the United States.[9] To eliminate NGOs, municipalities, or universities from the list, the search parameter was changed to "Business Participants Only," and 187 large companies and SMEs (small and medium enterprises) were reported as being participants.[10] This was further narrowed down to searching solely for "Companies" (excluding the SMEs due to inability to access necessary information), and 73 companies that had signed the

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[9] This count was at the time of initial selection, which was in February of 2009. As stated previously, the numbers have increased to 345 total participants as of July 1, 2009.
[10] As of July 1, 2009, there are now 229 business participants in the U.S.

GC in the Unites States were found.

To get detailed information needed for analysis, the Dun and Bradstreet "Million Dollar Database," a database comprised of U.S. and Canadian business records, was used to obtain corporate data for both the GC signees and a comparison group (Dun & Bradstreet 2009). The Million Dollar Database compiles information on companies such as total sales amounts, employee totals, the year the company was established, and whether or not they are manufacturing-based, all of which are variables in the analysis. All but seven of the 73 GC signees were accessible through the Million Dollar Database. For those companies not listed in the Million Dollar Database, a similar site, Reference USA (www.referenceusa.com), a separate database comprised of 14 million U.S. company records, was used to compile the additional data (Reference USA 2009).[11] Once the information for the GC signees was collected (n=70), then a simple random sample of 70 companies was taken from all 235,451 companies listed in the Million Dollar Database in order to have a comparison group. A list of both groups of companies and their values for the following variables can be found in Appendix 1 (signees) and Appendix 2 (non-signees).

Dependent Variable

The dependent variable in this work is whether or not a company has joined the GC. After putting all of the data into Stata, the variable [gc] was created with "0" indicating that a company did not sign the GC and "1" indicating that it did sign the GC. As mentioned previously, there are 70 companies in the database that have signed the GC

[11] There were three companies that were not accessible through either database: Global Alumina, SelectNY, and Trimtab Management Solutions. Two of the companies, Global Alumina (Canada) and SelectNY (Berlin, Germany) are not based in the U.S., while Trimtab Management Solutions is too small an enterprise to show up in either database; therefore, these three were excluded from this analysis.

and 70 companies that have not signed the GC. This variable was the basis for all comparisons made throughout this work.

Independent Variables

Several independent variables were created based on the existing voluntary initiatives literature reviewed in Chapter III and supported by data collected through the Dun and Bradstreet Million Dollar Database, Reference USA, the EPA Environmental Compliance History Online database, and the SEC Edgar database. There are three general categories for the independent variables (competitive advantage, new moral marketplace, and regulatory avoidance) with several measures falling under each; information about the broader categories and the specifics of each variable are detailed below.

Competitive Advantage

Competitive advantage in this work is measured through the assets that companies are able to use to gain influence in the industry they are a part of. Previous research (Amato and Amato 2007; Bennie et al. 2007) has argued that the size of a company is influential when competing against other firms, specifically stating that larger firms (i.e., those with more resources available to them) are better equipped to sign into voluntary initiatives. As noted in the discussion in Chapter III, company size is measured by company sales and the number of employees.

Company Resources

The amount of resources that companies have is influential when determining whether the companies will engage in voluntary initiatives. Large companies are best equipped to engage in voluntary initiatives due to the vast resources they have at their disposal. Royal Dutch Shell, Exxon Mobile, and Wal-Mart currently hold the top three spots in sales numbers according to the 2009 Forbes Global 2000 list; each has sales greater than $400 billion in 2008, numbers similar to those of many small nations (Central Intelligence Agency 2009). Useem (1998) argues that highly profitable corporations are more likely to become involved in CSR due to their ability to use funds for those purposes. Bennie et al. (2007) also argue that getting involved in voluntary initiatives is a costly endeavor, which is why it is more commonly seen among corporations with large sales volumes. Alberini (2002: 165) supports this argument with his claim that larger companies are more likely to join because they have more economic resources or "lower marginal costs of abatement." They are able to use smaller portions of their economic resources to implement corporate giving campaigns. Useem (1998: 78) points out that the nation's top one tenth of one percent of corporations account for more than half of the corporate giving in the U.S., and that "virtually all large corporations with sales over $500 million do," further bolstering this position. Furthering the argument that company resources influence a company's willingness to sign the GC, both Fussler (2004) and Besser and Miller (2001) state that the number of employees influences whether or not a company will join an initiative. These previous works all argue that companies with greater resources are more likely to sign into voluntary initiatives; therefore, there should be a positive relationship between company size and the GC membership.

Bennie et al. (2007) specifically looked at whether there was a relationship between company size and Global Compact participation and found that as the size of a company increases, so does their chance of involvement. They looked at the Forbes Global 2000 list, measured by sales numbers, and noted that of the top 1,000 companies, 15% were involved in the GC, while only 4% of the next 1,000 companies were signatories (Bennie et al. 2007: 743). Their analysis is the only to date looking specifically at the GC, and it further illustrates the positive relationship between company size and voluntary initiative engagement.

Amato and Amato (2007) have mixed results, supporting, on the one hand, the argument that larger companies are more likely to become involved in voluntary initiatives and, on the other hand, that smaller companies are willing to sign into agreements as well. They argue that smaller firms are more likely to be involved in the communities they are based in due to the fact that they are generally locally owned and operated, and thus are more connected to and concerned about the communities they are based in. Their findings indicate a U-shaped giving profile in relation to company size since both large and small companies were likely to be involved in voluntary initiatives, whereas medium-sized companies were less likely to be involved.

Large companies are able to spend more money on CSR campaigns, to both bolster their image and find new niches in markets where they can creatively promote their name, and they gain an advantage over other companies in their field for doing so. Smaller companies are connected to the individuals and organizations in their immediate surroundings, which increases their likelihood of signing. Both of these claims will be tested using measures related to company resources.

To examine how company size is related to those companies that have and have not signed into the Global Compact, there are several variables included in this analysis. The variable company size, [size], was created using data from both the Dun and Bradstreet database and Reference USA. This variable was created by combining the number of employees with the sales volumes of each company in the analysis, with a weighting scheme to ensure equal influence for both factors.[12] The raw totals of the number of employees per company and company sales were also added to the analysis, with the variable [employees] representing the number of employees that operate directly under the name of the company included in this work (out of 140 companies, data was available for 134 of them for this variable).[13] The variable [salesm] was created to mark the number of gross U.S. dollars that a company earned during the 2007-2008 fiscal year.[14] Both [employees] and [salesm] were squared to test the theoretical U-shaped giving postulated by Amato and Amato (2007), resulting in a variables [employees2t] and [sales2b].[15]

Regulatory Avoidance or New Moral Marketplace?

Hess et al. (2002) argued that one of the reasons that companies decide to sign into voluntary initiatives is based on their desire to be ethical companies, meaning they are at least partially driven by the increasing pressures to abide by the latent rules of the new moral marketplace. Companies feel compelled to alter their business practices for the sake of being "good," and if that is the case, there should be negative relationship between measures related to compliance or regulation and the GC membership. There is also an established argument that companies are not changing their practices due to recalibrated moral compasses, but instead they are altering their business practices to

[12] The number of employees and the sales volumes for each company were averaged, and then each company's respective totals (in each category) were divided by the average. These scaled numbers, one for sales and another for employees, were then added to one another to create the number indicated by the variable [size]. This ensured that both sets of values (sales totals and employee totals) were similar to one another, and subsequently counted for equal proportions of the new variable [size].

[13] This variable was squared to test Amato and Amato's (2007) assertion that large and small companies were more likely to join voluntary initiatives than medium-sized companies were, or that a U-shaped giving profile is to be expected. To further test this, [salesm] was also squared.

[14] Sales are reported in millions.

[15] Employees-squared is reported in thousands; sales-squared is reported in billions.

avoid future regulations being imposed (Vogel 2008; Bennie et al. 2007, Murray 2004; Alberini 2002; Videras and Alberini 2000). If this “avoidance” argument is true, then there should be a positive relationship between measures related to compliance or regulation and the GC, therefore rejecting the idea of companies having new moral compasses. The concepts of the new moral marketplace and regulatory avoidance seem contradictory in nature**.** Companies either join to do the right thing or do so to avoid regulation. The variables that examine compliance and regulatory pressure should help determine which explanation is more plausible for U.S. companies that join the GC.

Regulatory Avoidance: SEC Pressure

As described earlier, companies often engage in voluntary initiatives to avoid potential regulation from actors outside their industry, or possible limitations and red tape blocking their corporate actions. Patrick Maclagan (2008: 373) states that companies often engage in socially responsible actions because they are trying to correct “systemic deficiencies” or because they are patching up violations that have been noticed by state regulators or NGOs. Videras (2000: 450) continues this argument by stating that a “stronger threat of regulation is expected to induce firms to self-regulate,” an argument echoed by several authors (Vogel 2008; Bennie 2007; Khanna 2007; Murray 2004; Alberini 2002). Companies want to avoid any additional measures put into place that could restrict their movement and procedures; thus, they attempt to show they are self-enlightened by claiming to have both discovered and solved the problems that they are creating. More regulatory pressure, or perceived increased regulation, leads firms to react with an increased propensity to join voluntary initiatives (Alberini 2002: 169). “Governments can create tax incentives or disincentives, erect barriers to market entry, set legal minimum wages and place regulatory conditions of a business" (Bennie et al. 2007: 735), and this pressure of being able to stifle or enhance the environments that corporations subsist in influences their willingness to participate in CSR initiatives.

The United States Securities and Exchange Commission's EDGAR database was used to look at one form of governmental pressure being placed on the firms in the analysis. Within the SEC, search parameters "enforcement" and "litigation" documents within a ten-year period (from June 1, 1999 to May 31, 2009) were used to determine one aspect of regulatory pressure that the sample companies have felt within the last decade (U.S. SEC 2009b). This form of regulatory pressure was used to see if there is a trend among companies that have had negative connections to the SEC (measured through the "enforcement" and "litigation" documentation filed) and their willingness to join a well-known voluntary initiative to help bolster their company's profile, something that is common among businesses in this scenario (Whitehouse 2006: Arthaud-Day 2005; Whitehouse 2003; Videras and Alberini 2000). Ten-year period was used as a reference timeframe due to the fact that the GC itself has been going for roughly that period, and none of the companies in the analysis had signed into the compact prior to the cut-off date. The number of documents that appeared in the SEC database indicates separate litigation filings for each company, not simply echoes of previous filings. The variable [seclit] is used to indicate the number of documents appearing under each company's name during the chosen timeframe for this analysis.

Regulatory Avoidance: EPA Pressure

Alberini (2002: 164) found that poor environmental performance in the past has been an indicator as to whether firms participate in new voluntary initiatives. Firms that have had the spotlight on them for violations try to change their profile by starting up, or joining, new initiatives to help better their environmental track record and image. Even "improvements in energy efficiency lead to reductions in use that both save costs and reduce emissions," which saves companies money and improves their environmental standing (Alberini 2002: 162). If an entire industry is targeted, generally, only a few companies actually change their procedures, and the others benefit from a "free-rider incentive" or claim that they have made changes only to do little as needed to sneak by. Konar and Cohen (1997) argue that an increase in voluntary initiatives occurs because poor environmental performance can lead to decreased stock prices. They found that when companies were penalized for violations, they often saw their financial statements negatively affected by the news in ensuing company reports. There is also the general argument that some companies only claim to change their ways, or greenwash, their image only to behave in similar manners. Looking at the environmental regulations that each company is involved in is another way, much like the [seclit] variable, to see whether companies are reacting to pressure and changing their actions to "avoid regulation," illustrated previously in the "Voluntary Initiatives" chapter.

The EPA's ECHO database details the number of facilities that are being monitored for each company and has totals of inspections within the last five years, quarters in non-compliance, alleged current significant violations, informal enforcement actions, and formal enforcement actions (Environmental Protection Agency 2009). The variable [epaviol] indicates the number of formal violations levied against each company within the maximum timeframe available (five years) and was added to the analysis. Since the number of sites that a company has can affect the number of total violations that are levied against a company, the variable [epasites] is used to determine the number of sites that each company currently has monitored by the EPA. These are both just numerical reflections of the number of sites and violations for each company in the analysis; coupled with [seclit] totals, these will help illustrate the compliance-related side of the CSR debate detailed earlier.

If regulatory avoidance is a motivating factor for joining the GC, then there should be a positive relationship between SEC litigation document totals [seclit], EPA violation totals [epaviol], and the number of potential locations for violations handed down by the EPA [epasites]. A positive relationship between the GC membership and these variables would indicate that companies that are frequently being sanctioned for violations are attempting to prove to regulators their willingness to correct wrongdoings, with underlying intentions of warding off any additional laws or regulations.

New Moral Marketplace

The argument from the regulatory avoidance also applies to the concept of the new moral marketplace, albeit in an inverse fashion. Companies that are fueled by the new moral marketplace perspective are not simply reacting to pressures from regulators, but instead they are intrinsically motivated to comply with regulations and should be actively pursuing ways to minimize their environmental violations and financial transgressions. Hess et al. (2002) argues that companies that fall into the new moral marketplace category are not simply altering their practices for the sake of conforming to new rules, but they are doing so because they are trying to abide by the new moral guidelines that firms feel they are connected to. As mentioned previously, statements expressing this way of thinking can be found on many corporate websites that make claims that they have high “ethical standards” (DuPont 2010) or are “committed to honest and ethical behavior” (Exxon Mobile 2010). If such claims are true, then companies that join voluntary initiatives are likely to be better corporate citizens than companies that do not join. Thus, companies that join voluntary initiatives should have fewer violations than companies that do not join voluntary initiatives. To support the new moral marketplace argument, lower numbers of the aforementioned variables – [seclit], [epaviol], and [epasites] – should be found amongst the GC signees; put otherwise, there should be a negative relationship between these regulatory measures and the GC membership.

It can be argued that by finding a positive association with violations (pointing to regulatory avoidance) or a negative association (suggesting a “new moral marketplace”), the underlying influence can be unveiled. This work attempts to test these two suppositions regarding motivations that drive companies toward involvement in voluntary regulations.

Control Variables

It is important to adjust for additional control variables that might be important predictors of financial violations, environmental violations, company size, and the GC membership. Failure to control for important predictors could introduce specification error into the model and positively or negatively bias coefficients of variables of interest. For this reason, two additional controls are included in the analysis that measure company age and the degree to which a company is engaged in manufacturing.

Industry Influences

The level of contact a company has with the public is argued to be an indicator of their willingness to participate in CSR initiatives (Useem 1998). Service-industry-based firms (those in banking, retail, healthcare, etc.) are more likely to participate in voluntary initiatives, since their customers are more likely to evaluate their contributions to society, than those in other industries (Useem 1998: 83). Fussler (2004) adds to this, arguing that there are industry-specific initiatives meant to change the public's perception, which in turn is used as a marketing strategy for those companies. Regulations are often industry-based, meaning that within-industry organizations should show similar responsiveness to voluntary initiatives (Vogel 2008: 269). Bennie et al. (2007) argue that companies with highly visible public profiles are more likely to join voluntary initiatives so that they can more easily deflect criticisms of their business practices and maintain a positive image to maintain large customer bases. Manufacturing companies often operate outside the public spotlight since they do not have immediate contact with the public but instead produce products, or machinery used to create products, for other companies to sell or use. On the other hand, manufacturing companies have larger footprints in society, and increased reliance on, and foundations in, the environment, which could point toward their willingness to join the GC. They could also be looking to avoid increased regulations, much like the EPA and SEC violators mentioned earlier.

Given that companies within the same industry, according to the literature, are likely to both be influenced by similar amounts of pressure and to follow one another in terms of their regulatory and compliance initiatives, a broad-based within-industry measure is included in the analysis. Whether the company is primarily based in manufacturing is indicated as [manufact] and is coded with "0" (no), indicating that the company is not primarily based in manufacturing, and "1" (yes), indicating it is primarily based in manufacturing, to determine whether differences exist between the two groups and their participation rates in the GC. The relationship between manufacturing and the GC membership should be negative.

Company Duration

One additional control variable is the date that the company was established. This variable can be said to be influenced by the previous argument of companies needing to maintain their positive profile or increase their reputation (especially for young, upcoming businesses not well known to the public). Thus, the relationship between year of establishing and joining the GC should be positive. This variable is also included due to a lack of previous research focusing on company duration; thus, this work is an exploratory extension of previous work. The variable [estab] is included and represents the year that the company was established. All variable names, their scopes, sources, and the reasons they are included are listed in Table 1.

Table 1. Variable List and Description

Variable Name	Variable Indicator/Measurement	Source of Data	Variable Indication
salesm	The sales totals for the 2007-2008 fiscal year for each company	Dun & Bradstreet Million Dollar Database / Reference USA Business Database	Competitive Advantage
sales2b	[salesm] squared (in billions)	Dun & Bradstreet Million Dollar Database / Reference USA Business Database	Competitive Advantage
employees	The number of employees per company	Dun & Bradstreet Million Dollar Database / Reference USA Business Database	Competitive Advantage
employees2t	[employees] squared (in thousands)	Dun & Bradstreet Million Dollar Database / Reference USA Business Database	Competitive Advantage
size	A 50/50 weighted combination of [salesm] and [employees]	Dun & Bradstreet Million Dollar Database / Reference USA Business Database	Competitive Advantage
seclit	The number of litigation documents filed against each company by the SEC	Securities and Exchange Commission EDGAR Database	Regulatory Avoidance or New Moral Marketplace
epasites	Number of company sites that the EPA is currently monitoring	Environmental Protection Agency Enforcement and Compliance History Online Database	Regulatory Avoidance or New Moral Marketplace
epaviol	Number of EPA violations that have been filed against each company over the past five years	Environmental Protection Agency Enforcement and Compliance History Online Database	Regulatory Avoidance or New Moral Marketplace
manufact	Whether or not the company is primarily involved in manufacturing	Dun & Bradstreet Million Dollar Database / Reference USA Business Database	Control Variable
estab	Year the company was established	Dun & Bradstreet Million Dollar Database / Reference USA Business Database	Control Variable

<u>Chapter VI. ANALYSIS</u>

Using the data analysis software Stata, Version 10, the initial step of the analysis is to calculate the means, medians, and standard deviations of each variable, first for every company and then for the groups split into the GC signees and non-signees. T-tests (or z-tests) based on either mean comparisons or proportion comparisons are used to test whether these variables differ between the two groups in the analysis, while the multivariate analysis is conducted using logistic regression.

As stated previously, the variable [gc], indicating whether a company has signed into the Global Compact, is the dependent variable. Following the discussion above, the independent variables are: the company sales totals during the 2008 fiscal year (in millions) [salesm], the number of employees per company [employees], the number of violation documents that show up under each company within the SEC database within the past ten years [seclit], the number of company sites the EPA monitors per company [epasites], the number of violations each company has had [epaviol] in the past ten years, whether or not the company is based in manufacturing [manufact], and the year the company was established [estab]. Results of both the mean and proportion testing (Tables 2 and 3), along with the logistic regression analysis (Table 4), are listed below.

Table 2. Mean, Median, and Standard Deviation Values for Each Variable; Totals and Sorted by GC Signees and GC Non-Signees.

	All Companies			GC Signees			Non-Signees		
	mean	median	std. dev.	Mean	median	Std. dev.	mean	median	std. dev.
salesm	12722.7	500.27	29626.18	21463.56	6174.43	36616.03	4361.89	28.1	17405.04
employees	31411	3000	65832	49085	18800	72100	14001	400	54110
seclit	3.06	0	7.25	6.01	2	9.38	0.11	0	.401
epasites	23.53	3	68.11	34.14	5	90.66	12.91	2	29.95
epaviol	5.07	0	16.50	6.68	0	22.11	3.49	0	7.6
manufact	0.396	0	0.491	0.565	1	0.499	0.229	0	0.423
estab	1964	1980	40.27	1954.07	1971	46.84	1974.39	1984	28.93

Table 3. Comparing Means and Proportions of GC Signees versus Non-Signees.

	T	std. error
salesm	3.441***	2549.815
employees	3.170***	5708.362
seclit	5.257***	0.613
epasites	1.860	5.756
epaviol	1.144	1.399
manufact	4.05†***	
estab	-3.012**	3.44

* $p<0.05$, ** $p<0.01$, *** $p<0.001$

† value shown is z-value for proportion

Competitive Advantage

The variables that are used to test competitive advantage are related to the size of the company being evaluated, with larger companies hypothesized to be more likely to sign into the GC given their greater amount of resources; [salesm] and [employees] are the two variables that are used to initially test this relationship.

For the variable [salesm], the overall mean is $12,722.70; when split by [gc], the signees' mean is $21,463.56 million compared with the mean of $4,361.89 million for non-signees, a 492% decrease. A two-sample t-test with unequal variances is used to determine whether the difference between the mean of the GC signees compared with that of non-signees is statistically significant.[16] A t-value of 3.441 ($p<0.001$) indicates the differences between the two groups are statistically significant based on an alpha level of 0.05.[17] Previous literature suggests companies that are more likely to sign into voluntary initiatives generally have more resources at their disposal, which is seen here, but there are no predictors to explain the broader range of values among the GC signees (the greater standard deviation value), though that seems to be inflated by outliers in the distribution.

The number of employees that each company has working for them [employees] has an overall mean of 31,411 employees per company; for the GC signees, the mean is 49,085 employees, while for non-signees, the mean is only 14,001 employees (a 351% decrease from the mean of the GC signees).[18] A two-sample t-test produced a t-value of 3.170 ($p<0.001$), again indicating statistical significance. In addition, the large discrepancy between the medians of signees versus non-signees (18,800 compared with 400) seems to support the literature in that larger companies are more prone to getting involved in voluntary initiatives of CSR; this possible relationship is examined further in

[16] All t-tests and z-tests used throughout this analysis took into consideration sample sizes, including missing values from the populations. Every t-test had unequal variances, so it is only noted once.
[17] Alpha level of 0.05 was used throughout, unless noted otherwise.
[18] Numbers have been rounded down due to inability for companies to have fractional numbers of employees.

the regression analysis later in this chapter.

Regulatory Avoidance or New Moral Marketplace?

To test the competing concepts of regulatory avoidance and the new moral marketplace, three variables are examined, one of which focuses on regulatory pressure from the United States Securities and Exchange Commission [seclit], while the other two ([epasites] and [epaviol]) are based on information from the Environmental Protection Agency. All three are defined below, along with brief discussions of their relevance to this work.

The variable [seclit] is based on the number of individual litigation documents that have been filed against each company during a ten-year period by the United States Securities and Exchange Commission. The overall sample mean for [seclit] is 3.06; for the GC signees it is 6.01, and for non-signees it is 0.11. The median values are 0 both for the overall sample and for non-signees and 2 for the GC signees. The resulting t-test ($t=5.257$; $p<0.001$) points to a statistical significance between the means of signees and non-signees when looking at the variable [seclit]. The GC signees have higher SEC litigation numbers than non-signees do in all measures, which mirrors the argument that companies feeling more regulatory pressure are more likely sign into voluntary initiatives. This finding supports the regulation avoidance argument while simultaneously refuting the new moral marketplace, given the higher rates of litigation documents filed against the GC signees.

To further look at the competing regulatory avoidance and the new moral marketplace distinction, environmental compliance and monitoring measures were included in the analysis. The mean number of sites that the Environmental Protection Agency is currently monitoring [epasites] for the entire sample is 23.53, while it is 34.14 for the GC signees and only 12.91 for non-signees, through the medians for all three groups are similarly low (overall: 3; the GC signees: 5; non-signees: 2). A two-sample t-test produced a t-value of 1.86 and a $p>0.05$, indicating these differences are not statistically significant. A related measure, the mean EPA violations [epaviol] per company, has an overall mean of 5.07; for the GC signees, it is 6.68, and for non-signees, it is 3.49. The median value for all three groups (overall, the GC signees, and non-signees) is zero. A two-sample t-test indicates that this measure is not statistically significant ($t=1.144$; $p>0.05$). Neither t-test that examine EPA measures ([epasites] and [epaviol]) suggest that companies join to "greenwash" their environmental record or because they are good corporate citizens who believe in the new moral marketplace. The regression analysis conducted later will show whether this remains true when these variables are tested along with the other variables in the analysis.

Control Variables

From previous research, it has been suggested that companies that have more interaction with the public (thus, manufacturing is not included) are more likely to engage in voluntary initiatives than those that do not have as much contact. Research also shows that there are similar levels of voluntary initiative participation within industries, and the variable [manufact] is intended to test both strands of literature, to different degrees. The total sample has an overall proportion mean of 0.396 (or 39.6% of companies are based in manufacturing), while 56.5% of the GC signees are based in manufacturing and only

22.9% of non-signees are. This shows that the number of the GC signees based in manufacturing is more than double when compared with the number of non-signee companies based in manufacturing. In comparing the two proportions (z-value = 4.05; $p<0.001$), the two groups are significantly different. Given the high number of manufacturing companies engaged in the GC, this finding goes against the previous studies that argue companies based in service-oriented business practices are more likely to engage in voluntary initiatives, but it does mirror the previously stated argument that companies in manufacturing have larger corporate footprints and are perhaps attempting to avoid regulation. This finding could also reflect that manufacturing companies may be morally driven to engage in voluntary initiatives, although the intention of this measure is not to test for this relationship but instead to control for the type of industry that companies operate in.

The last variable, the length of time that a company has been in business [estab], is examined to see if it influences a company's willingness to become involved in CSR practices. It can be estimated that companies with established reputations are going to be less willing to join voluntary initiative due to their lengthy history with their client base, not needing to bolster their image as much as those companies who are newly established do. Those long-established companies can also be more prone to attack by regulatory groups or NGOs, or both, if they have any history of environmental or compliance non-compliance, which would lead this analysis to find that older companies may be more willing to sign up for voluntary initiatives. These are only two of the possible scenarios indicating different directions, with this variable created to potentially see if there are any significant differences between these groups related to company duration. The overall mean for [estab] is 1964; for the GC signees, it is 1954, and for non-signees, it is 1974, indicating the GC signees are older. The median values for each group are 1980 (overall), 1971 (the GC signees), and 1984 (non-signees), again pointing to older companies as being more involved in the GC. When comparing the means of these two groups, the results ($t=-3.012$; $p<0.01$) signify the differences between these means is statistically significant. Again, these results indicate that companies operating longer are more likely to participate in voluntary initiatives, specifically within the GC. This relationship needs to be explored in more detail to possibly determine why this relationship exists; to further explore this and the other variables in relation to one another, logistic regression analysis is used.

In sum, the findings related to company size, [salesm] and [employees], seem to support the concept of competitive advantage proposed by Hess et al. (2002). The GC signees are larger in terms of both total sales and number of employees, which would suggest that they are able to utilize their higher totals of resources to sign into voluntary initiatives. Measures related to the regulatory avoidance and the new moral marketplace dichotomy largely support the former, although the findings were not consistent. Companies that have signed the GC have higher totals of SEC litigation documents filed against them [seclit], are monitored more by the EPA [epasites], and have had more environmental violations [epaviol] than non-signees had, although only the [seclit] variable proved to be statistically significant. Lastly, the two control variables measuring whether a company is manufacturing-based [manufact] and the amount of time each company has been in operation [estab] indicated that the majority of the GC signees are involved in manufacturing and they are older. These two measures will help control for differences in the larger corporate environment in addition to the effect of being more established, both in the community and in the eyes of regulators. All of these variables have been used to establish a baseline argument for or against the proposed indicators of voluntary initiative engagement, but it is now important to see if these findings remain when multivariate logistic regression is used.

Multivariate Logistic Regression Analysis

The above testing of means and proportions points to some variables as being statistically significant when the t- or z-values are compared for each variable split by GC membership, [gc], but the findings do not indicate the impact each variable has in combination with one another. Using multivariate logistic regression, all of the variables are analyzed to see what kind of relationship they have to the Global Compact [gc], with three different models calculated using various size measures. The results of these calculations are shown in Table 4.

Table 4. Multivariate Logistic Regression Results

	Model 1 *Using [salesm] and [sales2b]*		Model 2 *Using [employees] and [employees2t]*		Model 3 *Using [size]*	
	Odds Ratio	**Z**	**Odds Ratio**	**Z**	**Odds Ratio**	**Z**
salesm	1.0001	2.23*				
sales2b	0.9999	-2.60**				
employees			1.0000	1.71~		
employees2t			0.9999	-0.85		
size					0.9048	-1.42
seclit	32.2755	27.2203***	12.6205	3.73***	23.3438	4.11***
epasites	1.0038	.00839	1.0003	0.04	1.0071	0.88
epaviol	1.0026	0.4149	0.9939	-0.19	0.9853	-0.52
manufact	3.5678	2.3042*	2.3776	1.38	3.3467	1.92~
estab	1.0068	0.0094	1.0041	0.48	1.0064	0.74
Pseudo R^2	0.5705		0.5482		0.5415	
N	131		129		126	

~ p<.10, * p<0.05, ** p<0.01, *** <0.001

Competitive Advantage

In the three different models, the findings associated with size, using the previously detailed variables related to size (company sales totals [salesm], total numbers of employees [employees], and the variable combining the two [size]), were inconsistent. Models 1 and 2 indicate findings consistent with the competitive advantage hypothesis, albeit only slightly. The odds ratios for both standard measures of size ([salesm] and [employees]) are positive, though only [salesm] is significant at an alpha level of 0.05.[19] The squared terms for each measure are negative, with [sales2b] suggesting significance at the p<0.01 level, though the odds ratios roughly equal those of the standard measures (0.999 compared with 1.000, respectively). These findings seem to support the U-shaped

[19] The variable [employees] is significant at the p<0.10 level.

giving that Amato and Amato (2007) argue for, indicating that both small and large companies are likely to sign into the GC; specifically, it seems that as companies become very large, they are more likely to sign into the GC, which again supports the competitive advantage argument. The indicator of size in Model 3 [size], which is a weighted combination of employee and sales totals for each company, produced an odds ratio of 0.9048, though it is not statistically significant. This third model indicates that as companies increase in size (measured through both employee and sales totals), they are less likely to sign into voluntary initiatives, which goes against the findings from Models 1 and 2. These inconsistent findings do not show significant support for the competitive advantage argument that Hess et al. (2002) presents; however, there is some support in the first two models for both small and large companies being equally engaged in voluntary initiatives. Perhaps, small companies utilize voluntary initiatives to increase their connections in a community (either physical or economic), and those connections help them compete with the larger organizations in their industry. Large companies, on the other hand, are able to assign smaller portions of their resources for engagement in voluntary initiatives in order to maintain their profile with their sizable, or at least consistent, clientele. Even though this analysis did not provide a unified representation of companies employing the competitive advantage technique through voluntary initiative engagement, there is some support that larger and smaller companies are more likely to become involved in these initiatives; determining exactly why that happens should be the prime question if this area of research is explored in the future.

Regulatory Avoidance or New Moral Marketplace?

The regression table above shows a homogenous picture across the different models when looking at the SEC litigation documents variable [seclit], but there are some inconsistent findings related to measures of EPA regulations. Every model in the analysis points to the number of SEC litigation documents [seclit] as being a significant variable beyond the $p<0.001$ threshold, with odds ratios of 32.75, 12.62, and 23.34. This finding is the most convincing of the entire analysis, strongly suggesting that companies that have been sanctioned by the SEC are significantly more likely to be GC signees. With odds ratios between 12 and 32, these findings show that as companies have higher numbers of SEC litigation documents filed against them, they are more likely to sign into the GC, which supports the regulation avoidance concept suggested earlier. This is consistent with the existing literature arguing that when businesses feel regulatory pressure, they are increasingly likely to join voluntary initiatives (Whitehouse 2006, Arthaud-Day 2005, Whitehouse 2003, Videras and Alberini 2000). It also shows that companies could either be attempting to make amends for past wrongdoings or be trying to head off future pressure by proactively showing they are attempting to make a difference with their corporate actions. These findings also go against the new moral marketplace argument that suggests a negative relationship, which would indicate that companies are morally driven to engage in voluntary initiatives and are already good world citizens.

Measures related to the number of EPA sites monitored per company [epasites] and the number of EPA violations for each company [epaviol] are not significant, though they do slightly support the regulation avoidance theory. In all three models, the odds ratios for [epasites] were between 1.0003 and 1.0071, none of which is significant, and this gives minimal support that companies that sign the GC are more likely to have a higher number of sites being monitored by the EPA, albeit infinitesimally. The findings related to the number of EPA violations for each company [epaviol] indicate a similarly small, though opposite relationship, with odds ratios falling in between 0.9853 and 1.0026. It could be argued that this lends some support to the new moral marketplace concept that lower violations should be reported for the GC signees, though similar to the previous EPA measures, these results do not provide noteworthy support to either the regulatory avoidance or the new moral marketplace argument, given the small, insignificant odds ratios. These findings are interesting because they suggest that companies are not joining because they are overly concerned about the environment (morally driven) or because they are looking to head off environmental regulation. The number of sites being monitored and the number of violations per company are apparently not persuasive, or coercive, enough to drive companies to engage in the Global Compact.

Control Variables

Model 1 (odds ratio of 3.5678, $p<0.05$) and Model 3 (odds ratio of 3.3467, $p<0.10$) both indicate that companies based in manufacturing are three times more likely to sign the GC. This finding goes against previous research, which states that companies involved in the service sector are more likely to become involved in voluntary initiatives due to their need to impress customers they continuously interact with; however, given the nature of manufacturing, this could be a result of additional regulatory pressures not taken into consideration. When a company is primarily based in manufacturing, it generally has a larger footprint in the community, which makes its actions more visible, and possibly detrimental, to the community it is based in. Laws or regulations not connected to the SEC or the EPA could be particularly influential in the manufacturing community, which could be driving those companies to become more involved in the GC. This finding could also be influenced by the larger overall average size of manufacturing-based companies, which, it could be argued, supports the competitive avoidance position.[20] In other words, companies based in manufacturing are more likely to sign into the GC because they are large enough to utilize their resources in this area; however, further analysis specifically focused on different industries would assist in determining the extent to which this remains a significant finding.

The year that the companies have been established [estab] was included in the analysis both as a control variable, nullifying possible arguments of company maturity as being a missing factor, and an exploratory one, given the lack of previous research utilizing this information. The odds ratios across the three models in the analysis range from 1.0041 to 1.0068, and not a single model indicated that the age of a company was a significant factor for companies in signing the GC. Although this finding did not assist in finding new avenues to direct future studies, it did highlight that both young and old companies are equally likely to be involved in voluntary initiatives such as the GC and thus added to community of research.

[20] The mean number of employees for manufacturing companies is 43,732; for non-manufacturing companies, it is 22,986. The total sales (in millions) for manufacturing companies are $20,404.16, while this figure is only $7,441.69 for non-manufacturing companies. These higher totals for manufacturing companies indicate that they are larger.

The overall argument of corporate social responsibility and voluntary initiatives does not fit squarely within the findings of the models examined. The positions that companies are either trying to enhance their competitive advantage, attempting to abide by the rules of a new moral marketplace, or taking actions to offset potential regulatory pressure are not entirely supported by the above analysis. There is some support for the competitive advantage approach as it relates to total sales numbers, but the three different measures of size are not a significant determining factor for the Global Compact membership across the three models. Determining whether regulatory avoidance or the new moral marketplace is more influential in driving companies to sign the GC is also not easily identifiable, although the strongest support comes from the findings regarding SEC litigation documents. Companies that have a high number of SEC litigation documents filed against them are the most likely to sign into the GC, with odds ratios ranging from 12.62 to 32.27 ($p<0.001$), indicating this is a highly significant finding supporting the regulation avoidance argument. Those companies feeling the most pressure from the SEC are much more likely to sign into the GC, perhaps as a potential mechanism to establish a good record amongst the corporate community with hopes to mitigate additional pressure from the SEC or other regulatory agencies. Findings related to EPA regulation were not significant in any of the models used in the analysis. Of the two control variables, only [manufact] (whether or not each company is based in manufacturing) was significant in one model at the $p<0.05$ baseline, while the establishment date per company ([estab]) did not indicate significance in any of the models. Thus, companies involved in manufacturing, both old and new, were equally likely to sign into the GC, according to the analysis conducted.

Chapter VII. DISCUSSION AND CONCLUSION

The preliminary means tests comparing the variables in this analysis indicate that being larger, having a higher number of SEC litigation documents filed against them, being based in manufacturing, and being older are key characteristics of the Global Compact signees. Participants in the GC have greater overall sales volumes, employ more people, and are targets of more regulatory pressure from both the United States Securities and Exchange Commission and the Environmental Protection Agency, all of which are consistent with previous research on the characteristics of companies involved with voluntary initiatives. The GC signees have also been in operation for a longer period compared with non-signees, though as mentioned previously, this finding is exploratory rather than a test of previous research. These findings lend initial support to the concept of regulatory avoidance, through the findings of more pressure being placed on the GC signees by the SEC and EPA, and the competitive advantage stance indicated by the larger size of the GC signees. The higher number of manufacturing companies being the GC participants also lends support to the competitive advantage approach due to their average size being much larger than that of non-manufacturing-based companies, though as noted previously, this measure could also be influenced by pressures outside of this analysis that could provide more evidence for the regulatory avoidance position. These findings do not support the new moral marketplace concept since the GC signees had higher average violation totals, both through the EPA totals and SEC litigation documents, and they were more scrutinized by the EPA, with more sites being monitored per company. These preliminary findings only look at the means of the GC signees and non-signees across these different measures, and multivariate logistic regression is used to further examine these relationships.

Multivariate regression suggests that the number of SEC litigation documents filed against each company proves to be significant in each of the three models, while indicators of size (sales and sales squared in Model 1, and employees in Model 2) are significant in their respective models. The finding that the number of SEC litigation documents per company is significant is consistent with previous literature on voluntary initiative engagement, although the strength of the findings (odds ratios of 12.62, 23.34, and 32.27) are well beyond the expected outcomes for this variable. This denotes that companies that feel regulatory pressure from the SEC are significantly more likely to sign into the GC.

This research suggests that Hess et al.'s (2002: 112) reasons for joining the GC should be expanded to include regulatory avoidance as a possible motive for joining the Global Compact. This finding might indicate that companies join to signal to the world that they are not entirely "bad" companies. Moreover, it could be that violations that are more likely to register on investor's radars are through the financial industry watchdog, and they respond by taking steps to help mitigate the negative implications that these violations may be pointing toward. It may also be the case that companies caught with previous, and pending, litigations are in effect reaching out toward established voluntary initiatives (in this case, the GC) for a positive angle to pitch to groups that have previously invested in the company or are thinking of putting money into new stocks in the industry they are operating within. Companies also look to bolster their images in communities where their current, and potential, customers live and work. These findings suggest that regulatory avoidance could be used as another indicator for voluntary initiative engagement beyond the GC, provided the proper theoretical linkages to the initiative(s) examined are made.

The finding that SEC litigation documents are an important predictor of the GC engagement and the lack of support from the EPA measurements (sites monitored and violations) indicate that the new moral marketplace theory that Hess et al. (2002) propose does not significantly influence the companies in this analysis. If the SEC measurement variable or one of the EPA-related measures indicated that the GC signees have lower totals, it would be an indication that those companies are indeed driven by an internal, moral framework; a lack of support from either measure does not entirely negate this position, but it certainly does not support the concept either. It could be that the actual fines imposed by the EPA do not match those of the SEC, meaning companies are not forced to take steps to "correct" their environmental violations with voluntary initiatives aimed to help clean their image. If this is true and companies make decisions solely based on potential monetary damages, it would provide a much stronger case against the moral marketplace argument, thus supporting the regulatory avoidance claim.

The competitive advantage position received some support from this analysis with the finding that larger companies are more prone to sign the GC, though this was only found in two out of the three models tested. This loosely supports the assertion that companies with more resources are able to engage in voluntary initiatives both because the relative costs are lower and, more importantly, so that they can maintain, or even bolster, their position in the field they operate within (Khanna et al. 2007). There was also evidence indicating that smaller companies are likely to sign into the GC, confirming previous research by Amato and Amato (2007), linking smaller organizations to voluntary initiative engagement, though again, this finding was inconsistent across the three models in the analysis. Very large companies may indeed be using small portions of their vast resources to sign into voluntary initiatives in order to bolster their image, or they could simply be mirroring actions of other large corporations via mimetic isomorphism (the act of companies mirroring one another to remain legitimate in the field they operate in) (DiMaggio and Powell 1983), something that additional work could potentially explicate.

Manufacturing as a primary mode of business operations proved to be significant in two of the three models in this analysis. There are a couple of possible reasons for this. Companies may want to lessen the impact they have on the communities around them due to their large environmental and physical footprints (as a result of greater reliance on factories, shipping/hauling, and mineral and resource use). Alternatively, they may be seeking to improve their chances of preventing future regulation being placed on their industry, by self-promotion of their participation in voluntary initiatives and through (at least symbolically) upholding community and environmental values. Manufacturing companies were also significantly larger than those not based in this industry, meaning that a company's size could be a moderating influence on voluntary initiative engagement. Future studies could benefit from increasing the specification of industry types to see if these findings are present amongst a variety of particular manufacturing firms. Lastly, the exploratory look at whether younger or older companies are more likely to sign into the

GC does not point in either direction, and this variable was included in the regression analysis to control for possible maturation influences.

The GC appears to be beneficial not because it reduces financial corruption or improves environmental performance, but because it can be used by companies to advance the notion that they are willing to police themselves and thus to argue for fewer regulations by the state. If regulators were to solely look at the types of agreements that companies are willing to sign into, or have signed into, then they could be misled into thinking that real changes have taken place where nothing substantial has in fact transpired. Taken to an extreme, this would argue for a decrease in regulatory pressure and a relaxed attitude toward external compliance measures, subsequently shifting the focus toward an increase of self-reports from either individual companies or industries as a whole. As this analysis has shown, companies that have signed into the GC are not necessarily better world citizens because of doing so; instead, they are, perhaps, just better actors on the broad stage of corporate social responsibility.

Limitations

The main limitations of this study are: the number of companies already involved in the GC; solely using companies based in the U.S.; the fact that all of the comparison companies were found in one database through random simple sampling; the analysis being limited to looking at only one voluntary initiative; not taking into account the connections between the leaders of these different companies (either to one another or with other groups); and the variables used in the analysis. Since the Global Compact is still a growing initiative, specifically in the U.S., there are not many companies to include in the analysis. This will change over time, and perhaps revisiting this analysis in five to ten years may provide a more robust sample size, but the number of companies currently involved in the analysis is dictated by the companies available at the time of this work.

The GC is intended as a worldwide initiative, which makes including all companies that have signed into it a simultaneously intriguing and daunting task. To do so, a much larger analysis and increased understanding of the cultures, established regulations, and practices that each company is based in would be called for, proving to be more time- and labor-intensive than this type of a project. This becomes increasingly difficult to compare across countries since, as noted previously in Chapter IV, the U.S. has much lower participation rates than companies based in Europe, which are the majority of the GC signees (United Nations 2008). There are also limitations with finding information for each company (not all companies and countries have the same reporting standards); nevertheless, if the information were available, it could add an interesting contrast to this and previous work.

The use of more comparison companies is another area where this work could be improved, perhaps by including two sets of comparison companies of equal size to that of the GC signees to see if these findings prove consistent across multiple groups. Related to this, many of the GC companies are the headquarters of various companies included in this analysis, and limiting the comparison companies to just headquarters may also alter the significance levels in both the means and proportion testing, along with those in the logistic regression analysis.

Although there is a variety of different voluntary initiatives that companies can become involved in, this work focused on whether significant differences exist between companies involved in the GC and those not involved. One could picture future work detailing how companies get involved in various initiatives though qualitative interviews, along with looking at how many total voluntary initiatives each company is involved with. Both measures could add some additional explanations as to the content and extent of involvement for each of the companies in an analysis.

C. Wright Mills (2000[1956]), among others, discussed the intertwined leaders of organizations, and this connectedness of elites among companies could be influential in determining how people who serve on multiple boards of directors influence a company's willingness to join different voluntary initiatives. These leaders could also be linked to other non-profit, or not-for-profit, organizations that are either involved or well versed in different initiatives. Through these connections, companies can become involved in different aspects of various associations or initiatives simply through casual social and business connections and not through regulatory avoidance, a new moral drive, or in an effort to gain a competitive advantage.

Additional variables could also prove to be influential in future analysis on voluntary initiatives, specifically: the profits generated by each company prior to and after their signing into the GC; industry-specific rates of initiative engagement; looking at the SEC and EPA violations prior to and after signing into the GC; and media exposure (both the number and type of media reports) that companies are subject to.

Including details about stock prices, quarterly and annual changes of revenues, sales, and profits/losses could add to future studies looking at voluntary initiatives. If companies see significant positive changes in these measures after signing into the GC, or if these measures remain stagnant or decline, it could help explain why companies choose, or refuse, to become involved in other voluntary initiatives. This analytic extension could provide interesting and fruitful additional ways to look at why companies become involved in programs such as the GC, or perhaps why companies prefer not to become linked with them. This approach could be particularly useful in examining the competitive advantage postulation of initiative engagement if companies that have declining profits or stock prices decide to sign into the GC or a similar agreement.

As the literature surveyed in this work points out, there are trends within industries when it comes to becoming involved in particular initiatives or non-binding agreements with different groups. Building on this, future work could look at industry-specific groups (i.e. finance, housing, information technology, etc.) to see if there are types, or groups, of industries that are more likely to engage in voluntary initiatives. Perhaps, when looking at more specific industry characteristics, a new understanding could emerge, detailing many different groups that are most or least likely to join and why that might be the case.

Looking at the number of SEC and EPA violations each company had before signing into the GC compared with that number after they signed could also be a way to determine whether their signing is simply a symbolic gesture or if they are actually trying to change their practices for the better. This could also help in determining to what extent companies are engaged in greenwashing, though this would need to be developed more to see their true intentions. The degree to which the current financial turmoil and that of the Enron/Tyco/Worldcom era have changed participation rates in voluntary initiatives is also something that would be worth looking at in more detail.

Lastly, for future analysis, it could be beneficial to see what types of media reports are issued regarding each company, whether they are negative or positive, their focus, and the number of reports. This could be influential as companies either try to change their corporate image or continue to promote the positive one they have established. Given that the GC has been around for roughly a decade and that, as mentioned previously, there are an ever-increasing number of companies joining the GC each year, there will likely be a larger set of companies to analyze in the future.

Conclusion

This work suggests that companies with more regulatory pressure from the SEC, those that are larger, and those that are based in manufacturing are more likely to sign into voluntary initiatives. Much could be added to further increase both the generalizability of this analysis by looking at additional voluntary initiatives, other than the United Nations Global Compact, and the understanding of factors driving companies to engage in any kind of CSR.

The total number of SEC litigation documents filed against a company is a significant finding in this analysis of companies signed into the United Nations Global Compact. According to researchers who have examined the reasons for companies to engage in corporate social responsibility (Bennie, Bernhagen, and Mitchell 2007; Khanna 2007; Murray 2004; Alberini 2002; Videras and Alberini 2000), regulation avoidance is one of the key motivators for companies to sign into voluntary initiatives, which are often reflections of, or are directly connected to, the CSR movement. The focus of recent empirical work is environmentally oriented, which is perpetuated by weekly headlines concerning global warming, environmental degradation, and pollution in major cities. This work indicates that the focus should be financial in nature if regulatory actors seek to utilize this analysis and apply it to encourage more companies to sign into voluntary initiatives, with, perhaps, the intention of those companies to initiate positive changes in their operations. If attention is turned toward these groups, there may be a greater shift toward enhancing the CSR movement rather than a patchwork of new regulations being implemented. An important aspect of this analysis is the broader context that it is based in, i.e., the U.S., and there is the potential for an even greater focus on short-term financial gains/losses in the United States than in other countries or cultures where this might not be as influential.

Determining the true driving force behind this voluntary initiative involvement is only possible by sitting in on private meetings among the executives and managers who have decided to join an initiative or become involved in the CSR movement, but previous literature indicates that there is a whole spectrum of reasons why this happens. These range from increasing the apparent good deeds of a company (Besser and Miller 2001), genuinely wanting to contribute to the communities they are based in (Brammer 2008), or avoiding accountability through voluntary measures (Bruno and Karliner 2002), to engaging in any number of greenwashing efforts (Greer and Bruno 1996), but again, it is difficult to determine exactly why this happens. Since the Global Compact is a voluntary, non-binding initiative, those companies that have signed it are not policed or scrutinized for violations. Companies are able to portray their involvement as a symbolic gesture of being socially responsible without having to take any measurable steps. This can create a situation in which companies advertize that they are changing their ways or tout their increased awareness of their wrongdoing, or both, whether or not real changes take place.

It has been argued that if companies are able to change the ways they conduct themselves to embrace even basic CSR practices their businesses and society in general are both going to have a more sustainable future (Whitehouse 2003: 313). It is not uncommon for companies, both large and small, to indicate through advertisements, store posters, and press releases that they are actively engaging in different levels and types of corporate social responsibility. Unless this is measured and their operations are made translucent, their claims must be taken with a grain of salt.

Fortunately, there have been positive signs recently. For example, "in the USA, the number of corporate foundations doubled from 1295 to 2549 between 1987 and 2003," and their level of grant giving also doubled in that timeframe to $3.5 billion a year (Utting 2007: 699). Although that is not the sole litmus test of CSR and where it is headed, it does show that some companies are choosing to engage in a positive dialogue with the communities they are based in.

This study intended to determine whether companies engaging in the GC, a voluntary initiative designed to integrate the business community with the ideals of the CSR movement, differ from those that have not signed the GC, but the broader intention was to look at how CSR can be tested and measured within certain contexts. This work adds one more piece to the existing literature, and using this as a framework for further studies enables us to better understand the ways that these arguments about CSR are connected to the larger body of empirical knowledge.

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APPENDICES

Appendix I. List of Global Compact Signees with Firm Data

Global Compact Signees

Company	Employees	Sales (in millions)	Year Estab.	EPA Sites	EPA Violations	SEC Litigations	Total Leaders	Total Woman Leaders	Proportion of Women Leaders	Manufacturing Based
A T C Group Services Inc	34900	13880.0	1982	9	0	12	17	6	0.35	1
Accenture Inc	186000	25310.0	1913	0	0	1	4	0	0.00	0
Adecco Employment Services Inc	4265	165.2	1996	0	0	0	5	1	0.20	0
Aecom Services Inc	16800	2140.0	1946	3	0	1	10	4	0.40	1
Anham LLC	410	183.8	2005	0	0	0	7	0	0.00	0
Ca Inc	13700	4277.0	1976	2	0	28	15	2	0.13	1
Calvert Group Ltd	2500	1876.0	1981	0	0	10	13	7	0.54	0
CB Richard Ellis Group Inc	29000	6034.0	1989	5	0	0	49	6	0.12	0
Ch2m Hill Inc	22000	4420.0	1946	5	5	1	7	0	0.00	0
Cisco Systems Inc	.	.	1984	0	0	0	50	9	0.18	.
Coca-Cola Enterprises Inc	73024	20940.0	1944	30	1	4	50	6	0.12	1
Daniel J Edelman Inc	3200	320.0	1952	0	0	18	50	22	0.44	0
DVS Group	.	.	2006	11	0	0	.	.	.	.
Dyncorp International LLC	43000	5194.0	1946	0	0	1	29	2	0.07	0
E I Du Pont De Nemours & Co	60000	31840.0	1802	222	173	2	50	11	0.22	1

eBay Inc	15600	7672.0	1995	1	0	27	50	10	0.20	0
Engineering & Professional Svc	.	.	1992	0	0	0	.	.	.	0
Fairmount Minerals Ltd	296	380.0	1986	1	0	0	13	3	0.23	1
Ford Motor Co	246000	172500.0	1903	138	28	16	50	4	0.08	1
Gap Inc	150000	15760.0	1969	2	0	2	23	12	0.52	0
General Electric Co	328700	172700.0	1892	33	7	60	50	7	0.14	1
General Fasteners Co	.	.	2008	84	23	0	0	.	.	.
General Mills Inc	29500	13650.0	1928	70	8	6	23	4	0.17	1
Geoeye Inc	80	24.6	2005	3	0	0	24	4	0.17	0
Golden Star Resources Ltd	176000	10380.0	1985	14	1	7	16	2	0.13	0
Green Mountain Coffee Roasters	1220	500.3	1993	2	0	0	37	11	0.30	1
Hess Corp	13300	31920.0	1920	613	28	2	30	3	0.10	1
Hewlett-Packard Co	321000	118400.0	1939	56	1	9	50	9	0.18	1
Hussey Copper Ltd	697	97.3	1848	3	0	0	17	1	0.06	1
I E Industries Fashions	.	.	2001	1	0	0	.	.	.	0
J C Penney Co Inc	155000	19860.0	1902	70	0	7	23	5	0.22	0
Johnson Controls Inc	140026	38060.0	1900	114	11	3	34	7	0.21	1
Kent Security Services Inc	17600	5874.0	1982	0	0	6	10	2	0.20	1
Ketchum Inc	70000	12690.0	1996	0	0	8	47	16	0.34	0
KPMG LLP	40816	53510.0	1897	71	37	10	50	4	0.08	1
Lazare Kaplan International	148	369.7	1903	1	0	4	12	3	0.25	1
Levi Strauss & Co	10680	4401.0	1850	11	0	1	28	5	0.18	1
Lexmark International Inc	13800	4974.0	1990	2	0	4	30	8	0.27	1
Manpower Inc	33120	20500.0	1948	2	0	8	16	3	0.19	0
Merck & Co Inc	59800	24200.0	1891	23	12	10	50	9	0.18	1
Microsoft Corp	91000	60420.0	1975	3	1	27	50	7	0.14	1

Mission Essential Personnel	90	43.0	2004	0	0	0	5	0	0.00	0
National Envelope Corp	3000	255.0	1951	9	0	1	13	5	0.38	1
Newmont Mining Corp	15000	5526.0	1921	8	0	2	24	4	0.17	1
Nike Inc	32500	18630.0	1964	22	0	7	50	15	0.30	1
North American Communications	3323	46.6	1993	1	0	0	19	2	0.11	0
Omanhene Cocoa Bean Co	66143	39540.0	1984	26	0	23	6	1	0.17	1
P A E Government Services Inc	140000	41860.0	1991	0	0	0	7	2	0.29	0
PA Consulting Group Inc	2100	854.5	1973	5	5	0	7	3	0.43	0
PepsiCo Inc	185000	39470.0	1919	7	3	8	50	17	0.34	1
PerkinElmer Inc	8713	1787.0	1947	10	2	5	25	6	0.24	1
Pfizer Inc	86600	48420.0	1849	37	10	11	42	12	0.29	1
Precision Engineered Products	868	62.4	2003	1			3	0	0.00	1
Ruder Finn Inc	580	34.0	1948	1	0	2	50	19	0.38	1
Ryerson Inc	5700	1804.0	1893	8	0	5	42	11	0.26	0
Seagate Technology LLC	41500	11270.0	2000	15	3	1	50	6	0.12	1
Small Parts Inc	800	85.0	1958	4	0	0	6	0	0.00	1
Soc-Smg Inc	55	11.0	2003	3	0	1	4	0	0.00	0
Starbucks Corp	1680	175.6	1985	2	0	0	39	7	0.18	1
Sun Microsystems Inc	1738	135.2	1982	0	0	0	49	6	0.12	0
Symantec Corp	1000	11.3	1982	0	0	4	50	9	0.18	0
The Cleveland Clinic Foundation	20000	4399.0	1921	10	0	0	50	9	0.18	0
The Coca-Cola Co	90500	28860.0	1886	354	24	1	33	8	0.24	1
The Dow Chemical Co	22000	4800.0	1897	0	0	0	42	7	0.17	0
Timberland Co	6300	1436.0	1933	8	1	10	50	13	0.26	1
Unified Technologies Group Inc	200	2.2	2003	0	0	0	4	0	0.00	0
Universal Metal Products Inc	250	21.1	1946	1	0	0	4	1	0.25	1

Virtusa Corp	37000	30960.0	1996	1	0	1	23	0	0.00	0
Visteon Corp	54000	11360.0	2000	14	0	5	33	8	0.24	1
Wpp Group USA Inc	4319	10880.0	1987	183	13	0	11	3	0.27	0

Appendix II. List of Comparison Companies with Firm Data

Global Compact Non-Signees

Company	Employees	Sales (in Millions)	Year Estab.	EPA Sites	EPA Violations	SEC Litigations	Total Leaders	Total Woman Leaders	Proportion Women Leaders	Manufacturing Based
A G I - Camelot Inc	34300	789.8	.	0	0	0	.	.	.	0
ABC Imaging Of Washington Inc	500	32.6	1985	1	0	0	9	0	0.00	1
Accreditation Association	35	9.8	1979	0	0	0	3	0	0.00	0
Advion Biosciences Inc	190	17.1	1993	3	0	0	21	1	0.05	0
All Major Appliances Inc	32	9.8	1996	0	0	0	2	0	0.00	0
Angler's Mini-Mart Inc	14221	8996.0	1977	2	0	0	4	0	0.00	0
Appro International Inc	50	12.9	1991	0	0	0	11	3	0.27	1
Architectural Textiles USA Inc	90	16.2	1978	5	0	0	4	0	0.00	0
Battery Acquisition & Devpt	678	86.2	1999	5	5	0	2	0	0.00	0
Bbt Realty Inc	7540	1.2	1980	26	0	0	1	0	0.00	0
Bill Jacobs LLC	55	17.1	1989	8	1	0	3	1	0.33	0
Bob King Inc	52	14.1	1968	2	1	1	3	1	0.33	0
Bremer Insurance Inc	1800	33.7	1962	11	0	0	3	0	0.00	0
C & T Landfills	13000	3176.0	1994	1	0	0	1	0	0.00	0
Cardsmart Inc	6	60.0	1997	1	0	0	1	0	0.00	0
Childrens Defense Fund	166	25.1	1969	0	0	0	36	21	0.58	0
Children's Hospital Home Care	450	7.5	1984	0	0	0	6	5	0.83	0
Clartech Inc	3	11.0	1992	1	0	0	1	0	0.00	0
Cloverland Dairy LP	450	99.3	1929	2	28	0	11	1	0.09	1
Coborn's Inc	6000	967.9	1921	1	0	0	18	3	0.17	0
Cold Front Distribution LLC	250	57.4	2000	33	7	0	2	1	0.50	0

Colonial Pipeline Co	634	824.1	1961	84	23	0	16	1	0.06	1
Com Tech Plastics Inc	75	28.0	1985	70	8	0	2	0	0.00	1
CPS Color Inc	10008	4125.0	1996	0	0	0	3	1	0.33	1
Ddp Holdings Inc	.	28.1	1992	2	0	0	1	0	0.00	0
East Richland Community Unit	300	10.1	.	1	0	0	6	4	0.67	0
Ferguson Enterprises Inc	78948	32490.0	.	7	2	2	2	0	0.00	0
Ford Green Sales Inc	40	18.2	1962	1	1	0	4	1	0.25	0
Four County Mental Health Ctr	165	12.0	1964	3	0	0	11	5	0.45	0
Fremont Industries Inc	120	15.7	1954	1	0	0	10	2	0.20	1
G & G Electric Supply Co Inc	36	24.0	1914	70	0	0	4	1	0.25	0
G T S Staffing	1016	47.3	1998	114	11	0	2	1	0.50	0
Gary-Williams Production Co	296	35.0	1993	0	0	0	4	0	0.00	1
Ginop Sales Inc	31	17.1	1959	0	0	0	6	1	0.17	0
Gma Electrical Corp	60	14.5	1993	0	0	0	2	2	1.00	0
Healthcare Intelistaf Mgt	1150	482.3	1995	1	0	0	1	0	0.00	0
Heartwood LLC	2570	953.9	2001	1	0	0	2	1	0.50	0
J Kings Food Service	350	154.5	1974	1	0	0	1	0	0.00	0
Jacor Communications Co	29000	2417.0	1979	2	0	0	4	0	0.00	0
Kimco Linda Mar 1115 Inc	726	681.6	.	23	12	0	.	.	.	0
Kreisner Automotive Group LLC	36	22.0	1999	3	1	0	3	1	0.33	0
L C A Acquisition Corp	50	16.1	1988	0	0	0	9	1	0.11	0
Lee Bank	46	16.0	1852	9	1	1	5	1	0.20	0
Lgh Health Enterprises Inc	1405	22.6	1985	8	0	0	3	2	0.67	0
Lumos & Associates Inc	130	13.5	1978	2	0	0	5	1	0.20	0
Mid Atlantic Machinery Inc	13	16.0	1991	1	0	0	3	1	0.33	0
Nextcare Specialty Hospital of	415000	23280.0	1999	0	0	0	3	1	0.33	0

Nova Chemicals Inc	3270	6732.0	1998	5	5	0	12	4	0.33	1
Ortho Biotech Holding Corp	120390	61100.0	2002	7	3	0	1	1	1.00	0
Otter Tail Corp	4099	1239.0	1907	13	2	0	21	7	0.33	1
Pa Office Of Deaf & Hard Of	87707	.	1986	37	10	0	2	1	0.50	0
Parts House Inc	31820	10840.0	1997	1	0	0	1	0	0.00	0
Placer Electric Inc	85	11.3	1978	1	0	0	3	1	0.33	0
Polk County Board of Education	207	6.8	1900	1	0	0	5	3	0.60	0
Pureservice Corp	182	3.5	1980	14	0	0	3	3	1.00	0
Resource Spectrum Inc	560	87.4	1990	4	0	0	7	1	0.14	0
Reunion Industries Inc	349	59.5	1929	0	0	0	7	1	0.14	1
Rftrax Inc	400	0.2	2004	14	1	0	3	1	0.33	0
Roberts & Oake Inc	375	69.2	1957	9	0	0	1	0	0.00	0
S Overton Inc	6250	969.4	1970	0	0	0	4	0	0.00	0
Sonora Cafe Inc	600	36.5	1982	10	0	0	2	1	0.50	0
Sun Publications of Florida	600	52.4	1989	1	24	0	10	3	0.30	1
Sutherland Building Material	190	23.3	1964	71	37	0	3	1	0.33	0
Syl-Mar Investment Corp Inc	20	11.5	1985	0	0	0	4	3	0.75	0
Techni-Cast Corp	95	18.4	1954	1	1	0	5	3	0.60	1
Tektronix International Inc	50000	11030.0	1946	3	1	1	4	1	0.25	1
Unit Parts Co	7971	744.6	2006	1	0	0	5	1	0.20	1
Valley Slurry Seal Co	437	55.0	1951	0	0	0	5	1	0.20	1
Whitney Point Central School	325	11.0	1935	1	3	0	9	5	0.56	0
Williams Production Rmt Co	4319	10560.0	1980	183	13	0	6	1	0.17	0