



Evaluating the CSR practices of America's richest companies

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ABSTRACT

Over time, the concept of corporate social responsibility (CSR) has gained popularity, with people accepting the fact that companies have a responsibility to help the community in which they do business. Gone are the days when the sole objective of business was profit maximization. Companies are said to possess stakeholders whose interests they have to understand and try to satisfy. Stakeholder theory is thus closely linked with CSR. An interesting question is how companies are supposed to satisfy these needs. This paper attempted to evaluate the CSR best practices of America's richest companies of 2010 as determined by Fortune Magazine: Wal-Mart, Chevron and Bank of America. This evaluation was done using a CSR best practices guide obtained from the CSR activities of the top 3 most socially responsible companies of 2010. Content analysis was utilized to explore the CSR reports of these companies, focusing on activities related to 4 key stakeholders, 1) Employees, 2) Customers, 3) Community and 4) Environment. Results of the analysis revealed that Wal-Mart, Chevron and Bank of America performed very well in discharging their responsibilities towards the community and the environment, but did quite poorly towards employees in particular. These companies were advised to focus more on the welfare of their employees, given their vital importance to the success of each company. Companies were also advised to provide customers with forums and mechanisms for feedback and comments. These would provide valuable information to the companies on how to improve their services so as to maintain existing customers and garner new ones.

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Introduction

The concept of corporate social responsibility (CSR) is one that has become popular over the last two decades or so. It is now expected that companies must take cognizant of the fact that making money is not enough in today's world of business. They are now expected to consider the needs of other stakeholders, such as employees, the community and the environment in the business decisions. This is indeed a favorable development as it is unrealistic to believe as Friedman did, that the "business of business is business". Companies do not operate in a vacuum. Their actions affect those around them, and these consequences must be taken into consideration by all companies.

An important question that must be considered is how exactly are these companies supposed to discharge this important social responsibility? The authors, in a previous work, tried to provide a solution to this important question (Zubairu et.al. 2011). This attempt was achieved by examining the CSR reports of the top 3 most socially responsible companies in the world of 2010 as determined by Fortune Magazine. This examination led to the formulation of a CSR best practices guide which companies can use to gauge their CSR practices and find ways of improving these practices to attain a world-class standard. This best practices guide was targeted to address a company's obligation to 4 key stakeholder groups: 1) Employees, 2) Community, 3) Customers, and 4) the Environment.

In 2010, Fortune Magazine provided a top 500 list of America richest companies (Fortune 500, 2010). The top three were 1) Wal-Mart, 2) Exxon Mobil (replaced by 5th placed, Bank of America due to inaccessibility of CSR report) and 3)

Chevron. The objective of this paper was to evaluate the CSR practices of these three companies using the "CSR best practices guide" discussed above. There is no question that discharging social responsibilities costs money and who better to attain a world-class level of CSR than those companies who made the most money.

The rest of the paper proceeds as follows: first, a literature review highlighting what has been attempted in the evaluation of company CSR activities is presented. This is followed by a research methodology section, and then a findings and discussion section. The paper concludes with a summary and conclusion section.

Literature review: evaluation of CSR practices

The review focused on the index or guide used by previous works to determine the level of CSR by companies through whatever media; be it annual reports, CSR/sustainability reports or company websites. The findings of the literature review are discussed below.

In evaluating the CSR practices of companies, a large number of authors (Ruffin 2007, Wayhuni and Paramita 2008, Farneti and Guthrie 2008, Everaert et.al 2009, Sharma et.al 2009, Steurer and Konrad 2009 and Alden et.al 2010) relied upon the Global Reporting Initiatives' Sustainability Reporting guidelines (G3 Reporting framework). "The G3 Reporting Framework published by the Global Reporting Initiative (GRI) is a system that was created to assist companies in the development of sustainability reports. The system includes six indicator protocols which function much like a rating system. The indicators categories are economics, the environment, labor, human rights, product responsibility and society. Within each

category there is a set of core indicators which help to focus data collection and drive the formation of the report” (Alden et.al 2010, p9)

Morhardt (2009) adopted the “Pacific Sustainability Index” (PSI) to determine the environmental and social performance of 454 Fortune Global 500 and Fortune 1000 companies. These companies’ websites was the basis of analysis. The Roberts environmental centre of Claremont Mckenna College provides a detailed description of the PSI. An excerpt is presented below:

“The Pacific Sustainability Index (PSI) uses two systematic questionnaires to analyze the quality of the sustainability reporting—a base questionnaire for reports across sectors and a sector-specific questionnaire for companies within the same sector. The selection of questions is based on and periodically adjusted to the most frequently-mentioned topics in over 900 corporate sustainability reports analyzed from 2002 through 2007 at the Roberts Environmental Center.”(Roberts Environmental Centre, n.d.).

PSI Scoring Criteria

***All assessments are based on online information only**

Environmental	Accountability	3%
	Management	12%
	Vision and Policy	12%
	Resources utilizations & emissions data	13%
Social	Accountability	3%
	Vision and Policy	8%
	Management	8%
	Labor issues	22%
Human rights	Principles	18%
		100%

Roberts Environmental Centre

What is common between the G3 framework and the PSI is that they represent ideal CSR activities that companies ought to engage in. The method adopted in this paper is different in that a CSR best practices guide is developed based on actual CSR practices carried out by the most socially responsible companies. This guide is then used to evaluate how well the richest companies in America are doing relative to the best. In other words, the G3 framework and the PSI are idealistic in nature, while the approach adopted in this study is more pragmatic in that it deals with the CSR realities of our time.

Research methodology

Research method

This paper sought to evaluate the CSR practices of the three richest American companies of 2010 as determined by Fortune Magazine. To achieve this objective, content analysis was utilized in order to examine the CSR reports of these companies. Content analysis was selected as research method for the researchers’ study because it is “a research technique for making replicable and valid inferences from texts to the content of their uses. As a research technique, content analysis provides new insight, increases a researcher’s understanding of new phenomena, or informs practical action. Content analysis is a scientific tool” (Krippendorff, 2004, p18).

In many previous social disclosure studies, content analysis has been the method of choice for determining the extent of an organization’s social disclosures through whatever media of communication; whether annual reports (Maali et.al, 2003; Grunning, 2007; Boesso and Kumar, 2007), company websites (Branco and Rodrigues, 2006; Holcomb, 2007) or any other media. This widespread use of this method by previous social reporting literature is another reason why content analysis was chosen as the research method by the researchers.

To determine the level of CSR carried out by these companies, a CSR best practices guide was utilized. This guide was developed from a thorough analysis of the CSR reports of UPS, Starbucks and Marriot International. These companies were ranked as the top 3 most socially responsible companies in the world for the year 2010 by Fortune Magazine. For this reason, they were considered as the CSR role models for other companies to emulate.

Sample selection

The paper chose to focus on the three richest American companies of 2010 for two reasons. Firstly, carrying out CSR activities cost money, and so the richest companies have the most money to spend on CSR. Secondly, using a sporting analogy, the team that comes first gets gold, the second team gets silver, and the third team gets bronze. In short, the top three teams are the ones recognized by giving them medals. It was with this line of reasoning that Wal-Mart, Exxon Mobil and Chevron were chosen for this paper.

The most current CSR report available for each of the three companies was used for the analysis, as it best reflected the CSR activities these companies carried out in the year that they were ranked as America’s richest companies. Unfortunately, attempts made to obtain the CSR reports of Exxon Mobil were unsuccessful as the report never downloaded fully despite several attempts. Attempts to download 4th placed company, General Electric’s CSR report also were unsuccessful for the same reason. Fortunately, 5th place company, Bank of America’s CSR report was successfully downloaded. For Wal-Mart, its “Global sustainability report” for 2010 was analyzed; for Chevron, its “2010 Corporate Responsibility report” was analyzed and finally for Bank of America, its “Sustainability Report” of 2008, which was its most recent, was analyzed.

Research Instrument

As previously mentioned, the CSR reports of Wal-Mart, Exxon Mobil and Chevron for 2010 were analyzed to ascertain their level of CSR utilizing a “CSR best practices” guide. The guide was developed from the CSR reports of the top three most socially responsible companies of 2010 (UPS, Starbucks, and Marriot International). The guide focused on the social responsibilities companies owe to 4 key stakeholders: 1) Employees, 2) Customers, 3) Community and 4) Environment. Table 1 below presents the “CSR best practices guide”. As can be seen from the table, companies have 8 tasks to perform in order to satisfy the social responsibilities owed to employees; 2 tasks to satisfy those of customers; 7 tasks to satisfy those of the community, and 6 tasks to satisfy those responsibilities owed to the environment.

Analysis procedures

The CSR reports of Wal-Mart (2010), Chevron (2010) and Bank of America (2008) were obtained from their various websites and then read completely to discover the CSR activities that they carried out in that year. These activities were then compared with those required by the CSR best practices guide.

A score of 1 was assigned for every task performed by a company that was required in the guide and 0 for every required task that was not performed by the company. In addition, a company was not given extra marks if it performed a required task more than once.

For each stakeholder group, every company would be assigned a total score which would reveal how well the company performed in satisfying the social responsibilities owed to each

group. The total score was referred to as the Stakeholder Fulfillment Ratio (SFR). The SFR was calculated as follows:

$$\text{SFR}_y = X_y/X_j \dots\dots\dots(1)$$

where

SFR_y = Stakeholder Fulfillment Ratio for a company "y"

X_y = number of required tasks performed by a company "y" for stakeholder group "X"

X_j = total number of tasks required by guide satisfy the CSR of stakeholder group "X"

Table 2 below provides a range of SFRs and their interpretations

Presentation and discussion of results

Tables 3, 4, 5 & 6 below reveal the results of the analyses of the CSR reports of America's richest companies of 2010, Wal-Mart, Chevron, and Bank of America. "x" represents tasks that companies did not perform thus scoring a "0", while "✓" represents tasks that companies did perform, thus scoring a "1".

Table 3 above revealed how well the three companies did in discharging their social responsibilities towards their employees. Wal-Mart provided training for its employees, but failed to discharge the remaining seven social responsibilities required by the CSR best practices guide, thus earning an SFR of 0.13. Similarly, Bank of America with an SFR of 0.13 discharged only one of seven required tasks in that it promoted diversity. Chevron with an SFR of 0.38 did slightly better, performing 3 out of 8 tasks: it provided safety training, employee training and diversity. All three companies had SFRs less than 0.50 and thus were deemed to have performed extremely poorly as regards discharging their social responsibilities to their employees.

Table 4 above reflects how well these three companies did as regards their social responsibility to their customers. Wal-Mart met customer needs particularly by providing affordable generic drugs to its poor customer in Mexico (Wal-Mart 2010 Global Sustainability Report, p4), but did not mention in its CSR report any attempts to improve customer service, and thus had an SFR of 0.50. Bank of America, like Wal-Mart, had an SFR of 0.50. It met customer needs by offering "its retail customers an array of environmentally beneficial products and services, such as the Home Energy Credit Mortgage" (Bank of America Sustainability Report 2008, p21). Chevron, with an SFR of 0.00 failed to perform any of the two required tasks. With SFRs of 0.50, Wal-Mart and the Bank of America were deemed to have performed poorly as regards their CSR to customers, while Chevron with an SFR of 0.00 performed extremely poorly.

Table 5 deals with the companies' CSR towards the communities in which they do business and reap such handsome rewards. Wal-Mart performed five of the six tasks required and thus had an SFR of 0.83, which means it performed very well in fulfilling its CSR towards the community. Bank of America with an SFR of 0.50 performed poorly fulfilling three of six required tasks. Chevron was the biggest winner in this category, performing excellent with an SFR of 1.00, which means it performed all six required tasks.

Table 6 which reveal the companies' commitment towards the environment makes very pleasant reading. Wal-Mart and Bank of America had perfect SFRs of 1.00 which means they fulfilled all six tasks required, and thus were deemed to have performed excellently. Chevron was not far behind, discharging five of six required tasks, thus earning an SFR of 0.83 and a rating of "very good" in this category.

Overview of findings and implications

The results presented and discussed in the previous section paint an interesting picture. It revealed that employees are the

forgotten stakeholders among America's richest companies. Whilst these companies did extremely well in fulfilling their social responsibilities towards the community in which they do business and towards the environment, social responsibilities towards employees were neglected. This trend could have very damaging effects on the future successes of these companies.

A company's employees are what make it tick. They represent, perhaps, the company's greatest asset. Paying employees high salaries is rarely enough to inspire loyalty and commitment from these employees. Other factors such as promoting a life/work balance, providing employee counseling and other items listed in the CSR best practices guide are very important in providing an environment whereby employees feel appreciated and valued. This conducive environment increases job satisfaction and builds in the minds of employees a deep sense of loyalty and commitment towards the company. It encourages creativity and innovation amongst employees which is vital in today's hyper-competitive business world. It is thus incumbent upon America's wealthiest companies to look inward towards the welfare of their employees, rather than solely outwards towards the community and environment.

Also interesting is the fact that none of the three companies revealed in the CSR reports efforts made to improve customer service. As the saying goes, "The Customer is King". What was noticed by the authors whilst researching the most socially responsible companies of 2010 (Zubairu et.al 2011) was that these companies made a conscious effort to improve customer service by providing feedback mechanisms such as questionnaires and suggestion boxes so customers could guide them on ways to improve the services rendered to them. This was not the case for America's richest companies. Customers' dollars is what made these companies rich in the first place. It is thus absolutely critical that Wal-Mart, Chevron and Bank of America listen very closely to what customers have to say and they can only do this when they provide forums and mechanisms for these customers to be able to air their views.

Conclusion, limitations and future research suggestions

This paper evaluated the CSR practices of three of America's richest companies for the year 2010 as determined by Fortune Magazine. These companies were Wal-Mart, Chevron and Bank of America. Content analysis was utilized to analyze the CSR reports of these three companies and compare their CSR activities with a CSR best practice guide that was developed from a prior analysis of the CSR reports of the three most socially responsible companies of 2010, UPS, Marriot International, and Starbucks. CSR activities targeted at four key stakeholders (employees, customers, community and environment) were focused upon. Result revealed that Wal-Mart, Chevron and Bank of America performed very well in discharging their responsibilities towards the community and the environment, but did quite poorly towards employees in particular. These companies were advised to focus more on the welfare of their employees, given their vital importance to the success of each company. Companies were also advised to provide customers with forums and mechanisms for feedback and comments. These would provide valuable information to the companies on how to improve their services so as to maintain existing customers and garner new ones.

Limitations to the paper arose from the use of content analysis. Content analysis tends to focus on the quantity of information disclosed, rather than the quality. This affects the reliability of inferences and interpretations derived from such an

analysis (Guthrie et.al, 2004). Another limitation of content analysis is the problem of subjectivity involved in coding when developing the research instrument (Wilmhurst and Frost, 2000). To mitigate the weaknesses of content analysis, future research should consider other methodological approaches such as detailed interviews with management and stakeholders, in combination with content analysis, so as to enhance understanding of the companies' CSR activities.

Secondly, the researchers' paper focused only on comparing disclosures made in CSR reports with ideal levels of disclosure as stipulated by the CSR best practices guide. It failed to take into account other means by which companies can communicate their social activities; for example via website, newspapers and magazines. Future research should thus consider disclosures in these other media.

Thirdly, the researchers' paper compared communicated disclosures against ideal disclosures. The reality is that what is contained in CSR reports may not reflect the true nature of social activities a company has actually done. Future research may thus consider comparing between actual social activities against those disclosed in CSR reports, or actual social activities against an ideal level of social activities. This would provide evidence on whether or not companies intentionally mislead stakeholders by reporting what they have not actually done in their CSR reports and other such media, all in an attempt to enhance their reputation.

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Table 1: CSR best practices guide

		STAKEHOLDERS			
		Employees	Customers	Community	Environment
SOCIAL RESPONSIBILITIES OWED	1. Provide ethics Training	1. Adapt to meet customer needs	1. Invest in young people	1. Conserve water	
	2. Offer Stock Ownership	2. Improve customer service	2. Patronize small businesses	2. Recycle waste	
	3. Promote from within		3. Offer business loans to small businesses	3. Conserve and restore natural habitat	
	4. Provide safety training		4. Engage employees in community service	4. Reduce emissions	
	5. Employee training		5. Sponsor community-building programs	5. Use renewable energy	
	6. Promote life/work balance		6. Help in disaster relief	6. Partner with environmental preservation agencies	
	7. Employee counseling		7. Help the sick and needy		
	8. Promote diversity				

Table 2: SFR ranges and interpretation

SFR	Interpretation
0.90-1.00	Excellent performance
0.80-0.89	Very good performance
0.70-0.79	Good performance
0.60-0.69	Average performance
0.50-0.59	Poor performance
0.00-0.49	Extremely poor performance

Table 3: SFR for Employees

STAKEHOLDER	COMPANIES		
EMPLOYEES	Wal-Mart	Chevron	Bank of America
1. Provide ethics Training	x	x	x
2. Offer Stock Ownership	x	x	X
3. Promote from within	x	x	X
4. Provide safety training	x	√	X
5. Employee training	√	√	X
6. Promote life/work balance	x	x	X
7. Employee counseling	x	x	X
8. Promote diversity	x	√	√
SFR	0.13	0.38	0.13

Table 4: SFR for Customers

STAKEHOLDER	COMPANIES		
CUSTOMERS	Wal-Mart	Chevron	Bank of America
1. Meeting customer needs	√	x	√
2. Improving customer service	x	x	x
SFR	0.50	0.00	0.50

Table 5: SFR for Community

STAKEHOLDER	COMPANIES		
COMMUNITY	Wal-Mart	Chevron	Bank of America
1. Investing in young people	√	√	x
2. Patronizing small scale suppliers	√	√	x
3. Offering business loans to small businesses	x	√	√
4. Sponsoring community programs	√	√	√
5. Relieving disaster victims	√	√	√
6. Helping the sick and needy	√	√	x
SFR	0.83	1.00	0.50

Table 6: SFR for Environment

STAKEHOLDER	COMPANIES		
ENVIRONMENT	Wal-Mart	Chevron	Bank of America
1. Water Conservation	√	√	√
2. Recycling waste	√	√	√
3. Conserving and restoring natural habitat	√	√	√
4. Reducing emissions	√	√	√
5. Using renewable energy	√	√	√
6. Partnering with environmental preservation agencies	√	x	√
SFR	1.00	0.83	1.00