

CORPORATE SOCIAL RESPONSIBILITY:

RECRUITING WELL BY DOING GOOD?

An Empirical Exploration of the
Corporate Social Performance –
Employer Attractiveness Link

8,057 Words
Candidate 12905
April - September 2006
MSc Management - Dissertation
<http://www.andidas.com/>

ACKNOWLEDGEMENTS

I would like to thank in particular for the provision of materials and their time:

Claudia Volk, WestLB

Jay Carberry, KLD

Mikael Eriksson, Universum USA

Kayoko Chiba, Newsweek Japan

Tim Smith, Walden Asset Management

Further, I would like to thank the following for their communication and advice:

My supervisor Thomas Kittsteiner, James Mattingly, Sandra Waddock, Lee Jeegoo, Donald Siegel, Brett Stone, Daniel Turban, Doug Schuler, Kristin Backhaus, Claire Moroni, David Crowther, Andrew Kakabadse, Mette Morsing, Wilhelm Alexander, Marcel van Marrewijk, Jozica Knez-Riedl & Carsten Riek

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Word Count: 8.057 (excluding appendices, abstract, quotes, footnotes, references, headings & bibliography)

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- References to the Appendix are placed in squared brackets, *e.g.* [Table 1.1], where the first number is the Appendix Chapter
- References to figures within the text are placed in round brackets, *e.g.* (Table 1)

ABSTRACT

Corporate Social Responsibility (CSR) is an enormously complex field, and yet still an evolving subject. The study is focussing on the nature and current thinking about corporate social responsibility and related theories. Although difficult to define, new trends such as standardised reporting and management initiatives have emerged. Despite ample empirical studies the effects of CSR on companies and stakeholders are still unclear, nourishing the fierce dispute on the 'if' of CSR as well as the 'hows'.

The main research body consists of empirical studies examining the relationship between corporate social performance (CSP) and corporate financial performance (CFP) link, but difficulties in measuring CSP and a lack of theory to explain the direction of causality have left the mystery unsolved. Following a less frequented path of research, this study examines the effect of CSP on employer attractiveness to job seekers which is considered to be one of the aspects through which a company can benefit from its CSR investments.

The literature, social identity theory and signalling theory are reviewed to explain a potential link between corporate social responsibility levels and employer attractiveness.

Using the S&P 500 as a base sample, data on CSP, financial performance and employer attractiveness was gathered from the most relevant sources. After highlighting the problems of measuring and interpreting CSP, descriptive statistical and hierarchical regression analysis are applied. This study finds little, but some indication that CSP contributes positively to employer attractiveness. The discussion offers several explanations and new approaches to the topic.

The study concludes and points at the development of new and more sophisticated techniques to measure CSP and interpret KLD data. Limitations and methodological weaknesses are identified.

ABBREVIATIONS

-	Concerns
#	Number
+	Strenghts
AA	AccountAbility
CEP	Council on Economic Priorities
cf	confer
CFP	Corporate Financial Performance
Com	Community
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
Div	Diversity
DJSI	Dow Jones Sustainability Index
EC	European Community
EIA	Energy Information Association
EIRIS	Ethical Investment Research Services
Emp	Employees
EP	Environmental Performance
EPA	Environmental Protection Agency
ESG	Environmental, Social and Corporate Governance
ESP	Environmental/Social Performance
EU	European Union
FP	Fincancial Performance
FRDC	Franklin Research & Development Corporation
GICS	Global Industry Classification System
GRI	Global Reporting Initiative
IRRC	Investor Responsibility Research Center
ISO	International Standards Organisation
KLD	Kinder, Lydenberg, Domini Research & Analytics, Inc.
MBA	Master of Business Administration
NACBS	National Affiliation of Concerned Business Students
net	strenghts - concerns
NGO	Nongovernmental Organisation
OSHA	Occupational Safety and Health Administration
ROA	Return on Assets
ROE	Return Equity
ROS	Return on Sales
S&P	Standard & Poor's
s.d.	Standard Deviation
SA	Social Accountability
SIM	Social Issues in Management
SP	Social Performance
SRI	Socially Responsible Investment
TRS	Toxics Release Inventory
UG	Undergraduate
viz.	videlicet, namely
wa	Weighted Average
WRDS	Wharton Research Data Services

1

INTRODUCTION

1.1 Definition attempts

Corporate social responsibility is very difficult to write about, for reasons that will become clearer as this text progresses. This study attempts to scratch the surface as much as possible within the imposed resource limitations,¹ yet, due to these same restrictions, some topics can only be given a superficial glance.

Corporate social responsibility is a highly controversial topic, which, despite having been under examination in the literature for almost 40 years is still enduringly popular, as both academic articles, and journal titles like *Business and Society*, *Journal of Business Ethics*, *Business and Society Review*, *Business Ethics Quarterly* indicate [Chart 1.2]. Every news story of supposedly bad (and sometimes good) business conduct revives the discussion. Companies which have recently experienced public attention for their business conduct include Shell (Brent Spar, 1995), Nike (sweatshops, 1998), McDonald's (continuously for various reasons), Chiquita (child labour, 1997) and more recently Apple (labour standards of contractors, August 2006²), to name but a few [Text 1.1].

In 1991 Wood (p.384) remarked that "Social Issues in Management *is showing signs [...] of becoming a discipline-like, well defined area of study,*" yet by 2006, Lockett *et al.* (p.116) still categorise corporate social responsibility as a field of study within management rather than a discipline of its own.³ Because the study of CSR cannot as of yet claim "*substantive/systematic distinctiveness*" (*ibid*), and despite a long research tradition, debate about the "*nature of CSR knowledge*" (*ibid*) continues, and hence the study of CSR is generally seen rather in its infancy than nearing maturity. This is also reflected by the lack of a universally agreed definition of corporate social responsibility. Scholars are continuously proposing different definitions and synonyms for very similar subjects, or inventing new terms with very small differences in meaning.⁴

¹ Word and timelimit

² cf. <http://www.apple.com/hotnews/ipodreport/> (accessed: 5th September, 2006)

³ This hasn't prevented the arrival of CSR on the business school's syllabi with courses such "MBA in Corporate Social Responsibility" cf. <http://www.nottingham.ac.uk/nubs/mba/N107.html> (accessed: 5th September, 2006)

⁴ Sustainable development, corporate citizenship, triple bottom line, stakeholder management, social issues management, corporate accountability, business ethics (Garriga & Melé, 2004; van Marrewijk, 2003)

For example, Wood (1991, p.388) summarizes several CSR definitions that have emerged over time, including the following:

Carroll (1979) declared, in a statement that proved to have broad appeal, that “the social responsibility of business encompass the economic, legal, ethical and discretionary expectations that society has of organizations at a point in time.”

Preston & Post (1975), in an equally popular formulation stated that business had public responsibility for their primary and secondary involvements with society, but not for social problems or issues unrelated to these involvements.

Frederick (1986) articulated the idea of CSR simply as follows: “Business corporations have an obligation to work for social betterment.” [...]

Davis (1973) defined CSR as the firm’s “consideration of and response to, issues beyond the narrow economic, technical, and legal requirements of the firm [to] accomplish social benefits along with the traditional economic gains which the firm seeks.”

A popular, more recent definition stems from McWilliams and Siegel (2001, p.117) who define CSR as

“actions that appear to advance the promotion of some social good beyond the immediate interests of the firm/shareholders and beyond legal requirements.”

That is, CSR activities are those that exceed compliance with respect to, e.g., environmental or social regulations, in order to create the perception or reality that these firms are advancing a social good.

Buchholz (1991, p.19), tries to identify the key elements found in “*most, if not all*” of the many CSR definitions; he concludes that

- Corporations have responsibilities that go beyond the production of goods and services at a profit
- These responsibilities involve helping to solve important social problems, especially those they have helped create
- Corporations have a broader constituency than stockholders alone
- Corporations have impacts that go beyond simple market place transactions
- Corporations serve a wider range of human values than can be captured by a sole focus on economic values.

An entire branch of CSR literature seems involved with the definition and documentation of shifts in meaning (e.g. van Marrewijk, 2003; Garriga & Melé, 2004; Ostas, 2001) backed up in regular intervals with reviews of the current state of development of CSR (e.g. Locket *et al.*, 2006; Griffin & Mahon, 1997). The reasons for CSR’s inability to be defined may be deeply rooted. The fuzzy notion of CSR is formed by hazy definitions and the lack of an agreed conceptual framework. Further the difficulties may lie in the ‘soft’ and complex nature of the topic; Carroll (1994, p.14)

characterizes CSR as a dynamic, multi- and interdisciplinary field⁵ with loose boundaries, multiple memberships and perspectives, and wide breadth.

The confusion is enhanced by theories combining different approaches while using the same terminology with different meanings at all levels and in every aspect of the discussion (Garriga & Melé, 2004). This leads to a situation as described by Votaw (1972, p.25):

“To some [CSR] conveys the idea of legal responsibility; to others, it means socially responsible behaviour in the ethical sense; to still others the meaning transmitted is that of ‘responsible for’ in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it’s mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behaviour on businessmen than on citizens at large.”

Different cultures, value systems and personal belief structures necessarily lead to different ideas of CSR between individuals and across groups. This view is also supported by van Marrewijk (2003), and expressed pointedly by Votaw (1972, p.25):

“Corporate social responsibility means something, but not always the same thing to everybody.”⁶

Or, to use Vogel’s (2005, p.6) words: “[...] the reader should feel free to imagine quotation marks everytime he or she encounters the word “responsible” or its synonyms ethical, virtuous or social.”

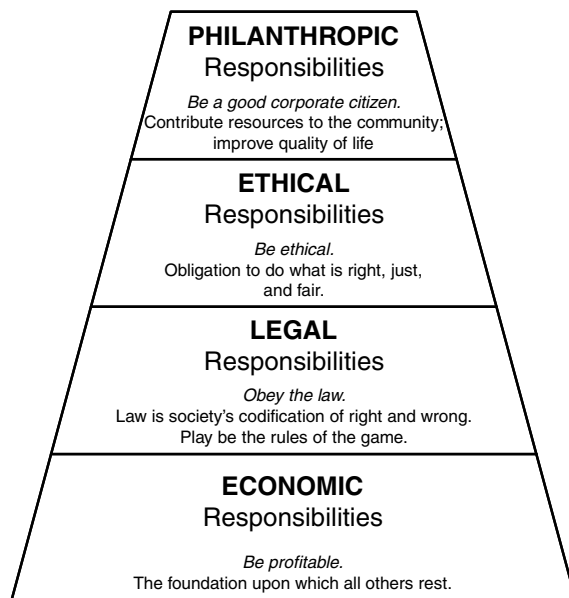


Figure 1 Carroll’s Pyramid of corporate social responsibility

Components of CSR

Consequently, it is even less clear what CSR means in practice for corporate behaviour⁷ (Sir Owen in Henderson, 2001, p.12) - “there is no solid and well developed consensus which provides a basis for action” (Henderson, 2001, p.42). One of the most popular images in the CSR literature canon is Carroll’s (1991)

⁵ drawing upon law, sociology, political science, philosophy/ethics, management, economics and more (Wood, 1991, p.384)

⁶ “This is why in Seattle, Genoa, Prague representatives of the Global Civil Society clashed with politicians and industrialists; their value systems do not align, there are conflicting truths and worldviews and opposite strategies as to how to deal with (their interpretation of) the situation.” (van Marrewijk, 2003, p.97)

⁷ Milton Moskowitz: “Looking over the history of corporate social responsibility, I can see it has consisted of 95 percent rhetoric and five percent action.” (quoted in Vogel, 2005, p.12)

“pyramid of corporate social responsibility” which gives a first indication of the different kinds of CSR (Figure 1).

Carroll’s pyramid also implies that some dimensions of CSR are more important than others, or that some levels of CSR cannot be reached without first achieving the previous ones. For example, without profit (economic), companies would not exist and thus would not have the prospect of acting philanthropic.

CSR is a multidimensional construct (e.g. Waddock & Graves, 1997) and although there is no consensus on the exact composition and the terms assigned to each of these dimensions, Table 2 is an approximation of the most common categorisation, also see [Table 1.4].

Table 2 Dimensions of Corporate Social Responsibility

Environment	Governance	Stakeholder (or Social)
	Business Ethics	Employees
	Corporate Governance	Community
		Customers
		Suppliers

This list does not contradict Carroll’s pyramid, rather these dimensions are a more detailed representation of the pyramid’s two top levels. The self-evident ‘threshold requirements,’ economic and legal responsibilities, have been excluded.

A second crucial notion related to CSR is corporate social performance (CSP). When CSR is the noun, CSP is the adjective describing how well the organisation handles its responsibilities. How to measure CSP will be discussed later.

There are several debates going on within the field of CSR; these should briefly be outlined to provide context for any later discussion.

1.2 The emergence of CSR.

“The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities.” (Wood, 1991, p.695). Over time and with growing affluence society’s expectations change (Werther & Chandler, 2006, p.13):

“In poor democracies, the general social well-being is focused on the necessities of life: food, shelter, transportation, education, medicine, social order, jobs, and the like. Governmental or self-imposed CSR restrictions add costs that poor societies can ill afford. As societies advance however, expectations change and the general social well-being is redefined. This ongoing redefinition and evolution of societal expectations causes the CSR response also to evolve. [...] For example, the need for transportation evolves into a need for non-polluting forms of transportation as

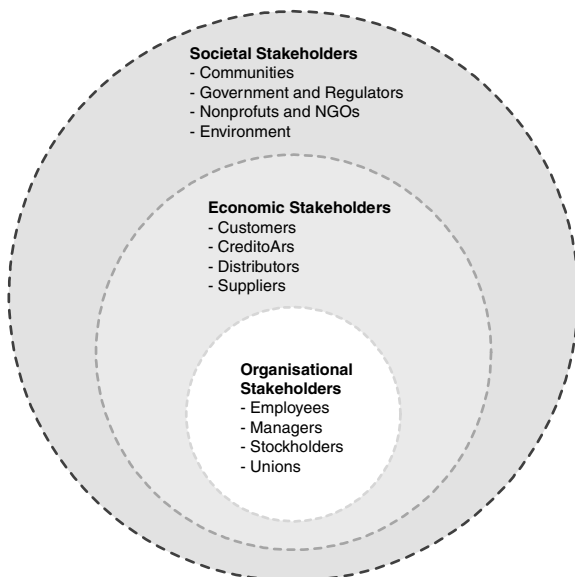
society becomes more affluent. In time these expectations may evolve from a discretionary to a mandatory (legal) requirement.”

Changing societal expectations and demands indicate discontent with the view of the corporation as a solely economic institution, and with the way capitalism allocates resources today. Analogous to the process described in Maslow’s hierarchy of needs (1968), society’s expectations seem to be striving for the next level as soon the former has been fulfilled, moving up Carroll’s pyramid. Werther and Chandler (2006) illustrate their argument for the emergence of CSR with the notion of “*stakeholder empowerment*,” which accelerates with the arrival of globalisation⁸ and communication technology such as the internet [Figure 1.3]. The public can indicate its social preferences through their purchases, by indicating whom they are willing to work for, and by where they choose to invest⁹ (Vogel, 2005, p.4).

1.3 Shareholder vs Stakeholder View

Today a war is raging between CSR-believers and free-market, laissez-faire economists. On a continuum of CSR support, Friedman (1970),¹⁰ and most neoclassical economists would occupy the most negative position:

"The doctrine of social responsibility [...] is fundamentally subversive [...] there is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."



Friedman classifies non-profit maximizing activities as theft, and as going against the economic principle of efficient resource allocation. He believes that having managers involved in tasks beyond their expertise goes against the interests of companies’ principals, the shareholders.

Figure 3 A Firm’s Stakeholder groups

Somewhere on the other, but still not anti-capitalist, end of the continuum,

⁸ “global brands provide a market-based vehicle for activists in one country to affect corporate practices in another, a strategy that effectively bypasses the WTO’s restrictions on governmental trade sanctions” (Vogel, 2005, p.9)

⁹ Socially Responsible Investment (SRI): “Indeed large institutional investors are becoming increasingly concerned with companies’ risk exposure relative to certain corporate social responsibility issues.” (Ruggie, 2004, p.513)

¹⁰ However Friedman’s comments were made at a time when it had become a common practice for businesses to donate a percentage (5%) of pre-tax earnings (Vogel, 2005, p.18). But Friedman’s position is still supported by scholars such as Henderson (2001) today.

Freeman (1984) developed stakeholder¹¹ theory, which was quickly picked up as a pillar of corporate social responsibility.¹² “Although it remains contested, the principle is taking hold that transnational firms [...] ought to be held accountable not only to their shareholders, but also to a broader community of stakeholders who are affected by their decisions and behaviour” (Ruggie, 2004, p.512). “According to this view, the activities of companies [...] impinge in a variety of ways on the health of the societies in which they operate, and on the environment. In return for the freedom which they enjoy in pursuing their commercial objectives, companies must recognise these externalities and adjust their behaviour accordingly” (Sir Owen in Henderson, 2001, p.12). CSR proponents fear that companies use resources for their products which are not reflected in the market prices charged (negative externalities – e.g. pollution). Due to these hidden costs, profit is not a good measure of the firm’s contribution to overall welfare. CSR attempts to hold businesses accountable for such costs. It is fair to say that proponents of CSR would agree with Brundtlands’s (1987) widely agreed definition of “sustainable development,” that is:

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Neither Friedman (1970) nor Henderson (2001) denies the existence of externalities, possible market failure and social problems, but both regard it as the state’s role to address these.¹³

Table 4 Drivers of CSR

A third group supports CSR because they believe in “doing well by doing good,” also referred to as the “business case.” The positive effects of CSR are thought to offer a rationale for investing in it.¹⁴ Several business aspects such as human resources, risk management, branding, image, reputation, and ultimately financial performance,

Survey amongst business representatives:

Drivers for corporate responsibility*	%
Economic considerations	74
Ethical considerations	53
Innovation and learning	53
Employee motivation	47
Risk management or risk reduction	47
Access to capital or increased shareholder value	39
Reputation or brand	27
Market position (market share) improvement	21
Strengthened supplier relationship	13
Cost saving	9
Improved relationships with governmental authorities	9
Other	11

source: KPMG, 2005

¹¹ “any group or individual who can affect or is affected by the achievement of the organization’s objective” (Freeman, 1984)

¹² John Kenneth Galbraith Andrew Carnegie would probably also be supporting this end of the continuum.

¹³ Vogel (2005) expresses doubts about Friedman’s serenity behind this statement, given Friedman’s preference for deregulation.

¹⁴ Although table 4 seems to indicate strong business support for CSR, Bishop (quoted in Salls, 2004) said that CEOs would not publicly give into admitting that companies exist for profitmaximisation due to public and media pressure.

are believed to be supported by strong CSR initiatives. If a link between CSP and corporate financial performance (CFP) could be proven it would solve the current controversy (Margolis & Walsh, 2001, p.4-5):

“Empirical evidence of a positive causal relationship moving from social performance to financial performance also promises [...] a solution to endless debate about the role and responsibility of the firm. [...] Those who construe a narrow economic role for the firm would embrace a financial rationale for socially responsible practices, and those with a broader conception of the firm’s responsibility would not need to appeal to an alternative control of the firm’s purpose to justify expansive responsibilities”

Kofi Annan (2001, quoted in Margolis & Walsh, 2003, p.273) expresses confidence in this assumption when he refers to CSR as

“a happy convergence between what your shareholders want and what is best for millions of people the world over”



Coverpage of the Independent on September, 1st, 2006

Recently, even Arnold Schwarzenegger was referencing the business case when talking about the introduction of new legislation¹⁵ saying that fighting global warming makes good business as well as environmental sense (Gumble, 01/09/2006). The legislation includes the creation of a system of emissions credits. If a company exceeds its targets on emission reduction, it can sell the excess to a company lagging behind, creating a financial incentive for business to do their bit for the environment. Previously, BP had used such as system within the organisation and between business divisions with

tremendous success (Malone, 2004). This is a good example of how market forces can be used to drive CSR.¹⁶

1.4 Government Involvement vs Self Regulation

Presently, in most countries CSR is practised voluntarily on companies’ initiatives alone, except in France where publishing a social responsibility report is mandatory.

However, it should also be noted that, like contracts due to bounded rationality (Simon, 1957), legislation can never be complete. This is where business ethics will matter. When companies have the choice to follow the letter or the spirit of the law,¹⁷

¹⁵ An example of legalising previously voluntary CSR, as discussed in section 1.2. It also illustrates the scope for and demand for CSR

¹⁶ One problem looming is the allocation of emission reduction targets.

¹⁷ the terms “creative compliance” or “creative accounting” indicate that occasionally businesses like to bend the rules.

society and government will expect them to show goodwill and follow the spirit, rather than exploit loopholes.

Government regulation carries the risk of over-regulation (Henderson, 2001), while voluntary self-regulation can be regarded as industry's defence mechanism against more (expensive) government regulation (Ashby, 2003). Because CSR is not verifiable it often has a bitter connotation of being more about image building, cheap talk, or PR activity. Klawitter (2006) gives an example how Chiquita's PR activities resulted in very favourable press coverage while NGO Human Rights Watch still finds evidence of child labour on plantations supplying Chiquita. Klawitter (*ibid*) quotes an estimate according to which 40% of the information of newspapers originate from PR agencies or companies' marketing departments.

Yet some companies have declared ethics as a foundation of their business model (cf. Bodyshop, Fairtrade) which differentiates their product from others on the market. Whether it is ethical to use ethics as a differentiating characteristic to make a profit is beyond the scope of this study. Can CSR, if openly declared as a way of differentiation, and hence profit maximisation be compared with intrinsically, altruistically motivated corporate responsibility?

1.5 Standardisation & Reporting

The lack of a common understanding and a comprehensive CSR definition has not prevented the emergence of standards for many aspects of CSR [Text 1.7]. Generally European companies are more engaged in CSR than their American counterparts.

SA8000, developed by Social Accountability International (SAI),¹⁸ is a way for retailers, brand companies, suppliers and other organizations to maintain just and decent working conditions throughout the supply chain. Companies that have sufficiently demonstrated that they have adhered to the various requirements are awarded the respective certification.

ISO 9000, and ISO 1400, both developed by the International Organization for Standardization¹⁹ are management systems concerned with "quality management" and "environmental management" respectively while OHSAS18001 covers health and safety issues.

AA1000²⁰ sets guidelines for the quality of social and ethical accounting processes, along with the Global Reporting Initiative (GRI)²¹ for the quality of



¹⁸ <http://www.sa-intl.org/>

¹⁹ <http://www.iso.org/>

sustainability reporting. The standards are complementary, with GRI providing a framework with which to evaluate CSR and to capture data on CSR performance. (Bhimani & Soonawalla, 2005, p.170) [Table 1.4].

The United Nations' initiative, called Global Compact²² and officially launched in July 2000, established their own set of global norms for responsible corporate conduct consisting of ten rules [Text 1.5]. To date this initiative counts 2,500 signatories in 90 countries.



The emergence of such standards and independent auditing of companies' non-financial reports illustrates business' desire to increase credibility and to counter the notion that CSR reports are meaningless PR activities. Again, this short list illustrates that like academic definitions, NGOs are tinkering with their own reporting standard (*cf* Context, 2006).



At the legal international level initiatives such as the Kyoto protocol, or attempts by the EU (Greenpaper, 2001) to initiate the establishment of international CSR reporting standards have emerged.

1.6 Research Agenda

This study is trying to investigate the effect of CSP on the firm, hence the unit of analysis is the firm. Instead of following the widely used trail of CSP-CFP studies, this text will follow a less frequented side path in order to be able to make a contribution to the literature. While a CSP-CFP link cannot be proven nor explained at present, some theoretical sub-mechanisms have been put forward that could validate the business case (section 1.3). The best way forward seems to be the investigation of the hypothesised micro-workings of an eventual business case. So far, the research into these has been limited. Next to branding and image enhancement, CSR's potential effects to attracting a larger applicant pool are thought to have the highest potential of contributing to the business case. Thus, the remainder of the study will explore the CSP-employer attractiveness relationship. The literature review below still discusses the CSP-CFP literature because its methodology and findings are relevant to the research proposed for this study.

²⁰ <http://www.accountability.org.uk/>

²¹ <http://www.globalreporting.org/> (established in 1977)

²² <http://www.unglobalcompact.org/>

2

LITERATURE REVIEW

2.1 The CSP – CFP link

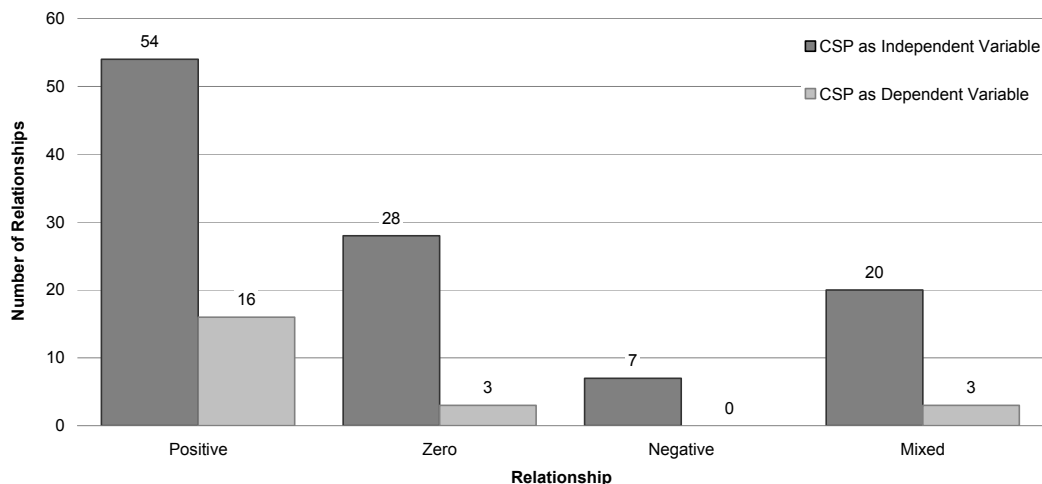
The most prominent question in the field of CSR research is its effect on corporate performance. From above, it is clear that the most important (economic) driver of CSR is the argument that CSR is also good business. Amongst CSR researchers, proving the CSP-CFP link is the ‘holy grail’ of their research efforts, and scholars of business ethics hope for a positive link because it would justify their area of teaching in business schools (Vogel, 2005, p.9). This is why “*oceans of ink*” (*ibid*, p.11) have flowed into the search for an answer to this question. Margolis & Walsh (2003, p.277-8):

If corporate social performance contributes to corporate social financial performance, then a firm’s resources are being used to advance the interests of shareholders, the rightful claimants in the economic contractarian model. Concerns about misallocation recede as well. If social performance is contributing to financial performance, then the firm is being used to advance the objective for which it is considered to be best suited, maximising wealth.

However, this does still not mean that investment into CSP is profit-maximising, nor that no other investment would yield a higher return. Between 1972 and 2002, 127 published studies empirically examined the relationship between companies’ social performance and their financial performance (*ibid*). These have yielded positive, negative and neutral relationships. An aggregative count of the results reported by these studies would lead one to believe that a positive relationship between CSP and CFP exists (*Chart 5*), [Chart 2.2, Table 2.5]. However methodologies and data vary widely between all studies. Margolis & Walsh (2001, p.13):

“The clear signal that emerges from thirty years of academic research – indicating that a positive relationship exists between social performance and financial performance – must be treated with caution. Serious methodological concerns have been raised about many of the studies and about efforts to aggregate results [...] Questions arise about the connection between the underlying CSP construct and efforts to measure it; the validity of the measures used to assess social performance; the diversity of measures used to assess financial performance; and the direction and mechanism of causation, given the heavy reliance on correlation analyses and contemporaneous financial and social performance data.”

Chart 5 The results of 127 studies on the CSP-CFP link, 1972-2002



Source: Margolis & Walsh, 2003

McWilliams and Siegel (2000, p.604) criticise the typical econometric model used to examine the CSP-CFP relationship, quoting Waddock & Graves (1997) as an example, *see* below. Most models follow a very similar or even simpler setup:

$$\text{PERF}_i = f(\text{CSP}_i, \text{SIZE}_i, \text{Risk}_i, \text{IND}_i)$$

where

- PERF_i = long-run economic or financial performance of firm i (measure of accounting profits)
- CSP_i = a proxy for corporate social responsibility of firm i (based on an index of social performance)
- SIZE_i = a proxy for the size of the firm i
- Risk_i = a proxy for the “risk” of the firm i (debt/asset ratio)
- IND_i = Industry of firm i (4 digit SIC code)

In this case, McWilliams and Siegel (*ibid*) argue that the omission of a variable for company ‘R&D intensity’ renders the model invalid and go on to demonstrate that including ‘R&D intensity’ results in a neutral relationship, whereas Waddock & Graves (*ibid*) previously found a positive relationship. This example is given to illustrate the fragility of current CSR research.

Glancing at the statistics shows the differences in sample bases [Chart 2.3], CSP measures used [Chart 2.4], and financial measures used [Table 2.5] – yet there is not consensus on the causality of the relationship (*Chart 5*). The relevant theoretical explanations for the sign of the CSP-CFP relationship, and the direction of causation put forward so far, are briefly outlined below.

Sign of the relationship and Causality

Sign of the relationship The beliefs underlying each case have already been addressed in section 1.3. Friedman’s shareholder view does not recognize measurable economic benefits, only costs; the relationship is negative.

A positive association implies that the costs of CSP are lower than the benefits. For example, good human resources management may be inexpensive while creating a competitive advantage for the company against less responsible firms. Being regarded as a good employer or being ranked in lists such as Fortune's *100 best companies to work for* might facilitate the recruitment of top talent at low cost (Waddock and Graves, 1997; Moskowitz, 1972). A company being a good place to work seems to be reflected in share price performance at least, *see* [Chart 2.11].

However, the mixed empirical findings do not preclude the idea that there is *no* relationship. Ullmann (1985) argues that the relationship could be indirect, and that the number of factors influencing profitability is so large that there is not even a reason to expect a direct causal relationship. This also suggests that a relationship might be more easily proven or disproven through the analysis of micro-factors such as branding and recruiting. The inaccuracies in the measurement of CSP might be another factor preventing the tracing of a direct relationship.

*CSP as the independent variable: Good management*²³ According to this theory, there is a high correlation between good management practice and CSP. Improving stakeholder relationships results in better overall performance. For example, good employee relations might be expected to enhance morale, productivity, and employee satisfaction. Positive customer perceptions may lead to increased sales or reduced stakeholder management cost. CSP is both a predictor and consequence of firm financial performance, forming a simultaneous relationship or a kind of 'virtuous circle'.

*CSP as the dependent variable: Slack resources*²⁴ Better financial performance results in the availability of 'slack resources' which provide the opportunity to invest into CSR activities. This theory assumes CSR to be dependent variable. [Table 2.1 and Table 2.3] show the discussed models and some alternative models.

Margolis and Walsh (2003) complain about the ongoing flow of quantitative studies [Chart 2.1], while the field is lacking a theoretical exploration of the issue.

To avoid confounding effects, some study specific industries to isolate industry effects, while some, to avoid the problem of quantifying CSP, have conducted qualitative reviews of industries. But these have low applicability outside the relevant

²³ Paragraph based on an explanation as given in Waddock & Graves, 1997, p.306-7

²⁴ based on Waddock & Graves, 1997, p.306

industries (*e.g.* Frynas, 2005; Simpson & Kohers, 2002). Others have studied single dimensions of CSR, such as the environmental aspect only.

One aspect of the business case is CSR's influence on employer attractiveness and reputation. Compared with the more than hundred studies on the CSP-CFP link, little attention has focused on the narrow area of recruiting. The literature review will look briefly at the psychological aspects of job-selection – although a glimpse at this literature indicates that the decision-making process is extremely complicated, with more factors involved than described here. Two strings of theory are commonly employed by current research on this issue to explain the forces that drive employer attractiveness: signaling theory and social identity theory.

2.2 Signaling Theory

The majority of papers, *inter alia* Turban & Greening, (1997), Greening and Turban, (2000) and Backhaus *et al.*, (2002, p.295-6) draw on signalling theory (*ibid*):

“[...]Wanous (1992) pointed out that job seekers require complete and accurate organizational information to match their needs properly with organizational offerings. However, job seekers usually have limited information about organizations and must use bits and pieces of data to construct a view of what it would be like to work for an organization (Barber, 1998). Organizational characteristics have been shown to be indicative of personnel practices (Jackson *et al.*, 1989), and job seekers tend to use these characteristics as clues. This use of organizational attributes as predictors of working conditions is captured under the rubric of signaling theory. Signaling theory suggests that individuals use various clues, dropped by the firm, to draw conclusions about the firm's intentions or actions (Srivastava & Lurie, 2001). In the organizational choice process, prospective employees use any available information to improve their efforts to make a rational decision (Wanous, 1992). [...] Information about certain CSP dimensions may provide the data a job seeker needs to assess the appropriateness of the employer.”

2.3 Social Identity Theory

Social identity theory, developed by Henri Tajfel (1979) and John Turner, suggests that individuals derive their self-concept partly from their membership in certain social groups. Assuming that this behaviour also applies to the membership of an organisation, firms with high CSP are more attractive as employers because prospective employees expect their self-concept to be enhanced through their association with such firms. Backhaus *et al.*, (2002, p.296):

In other words, we define our identity in terms of our group membership, and enhance our self-esteem by comparing our group to lesser quality groups (Stets & Burke, 2000). The successes and reputation of our group contribute to our self-concept (Underwood, Bond, & Baer, 2001). Our employer is an important source of self-concept (Tajfel, 1982). We enjoy the benefits of our employer's positive

reputation but also suffer detrimental effects of our firm's negative reputation (Dutton, Dukerich, & Harquail, 1994). This provides another foundation on which to argue that a firm's CSP will be important to job seekers as a way of selecting a self-enhancing employment setting."

2.4 Organizational Attraction

The job market is a very popular field of study and of high interest to businesses, yet much remains to be learned (Barber, 1998). Previous research (quoted in Backhaus *et al.*, 2002) indicates that structural attributes, such as decentralized decision making and performance pay, are increasing attractiveness. "*Gatewood and associates (1993) examined corporate image, another organizational characteristic, finding that perception of an organization's image is a significant predictor of decisions to pursue employment with that company*" (*ibid*).

Turban & Greening's work (1997, 2000) is maybe the most prominent contribution to the CSP/employer-attractiveness literature. They find a positive relationship between published ratings of firms' CSP and participants' ratings of firms' attractiveness, and conclude that perceptions of an organization's attractiveness may be influenced by CSP. Later, Greening and Turban (2000) supplied a student sample with CSP ratings, testing the effects of that information on their perceptions of companies' attractiveness, and again found a positive relationship. It should be remarked that in both cases the relationships found were indicative, rather than evident.

Following one of Turban & Greening's propositions, Albinger & Freeman (2002) investigated different job-seeking populations and found a positive relationship between CSP and companies' attractiveness to high-choice applicants (MBA students), while there was no significant relationship for medium (undergraduate) and low-choice applicants (unemployed).

Backhaus *et al.* (2002) built on these studies and tested more differentiated hypotheses of the nature of the CSP/employer-attractiveness link. Their overall findings support the previous studies; in particular, they find that CSR is part of the image-building process, and that some dimensions are more important to job-seekers than others.

Most previous studies, while technically well-executed and sophisticated in the statistical models used, either lack good CSP data or employer-attractiveness ratings. For example, Albinger & Freeman (2002) obtain CSP measures through a survey of business school faculty members – but without any of these individuals being industry insiders, the ratings are bound to be mere 'perceptions' rather than actual CSP. While a

small scale like this allowed customary, multi stage experiment-like setups, the small sample size does not give a definitive answer on the relationship between CSR and employer attractiveness. Small sample sizes have not allowed the investigation of industry-specific effects.

This study tries to test the relationship with an up-to-date and significant dataset relying on observational data as much as possible. Some of the detailed implications and differences between previous studies and this one will be detailed in later parts of the dissertation.

Table 6 Overview of studies on the CSP- Employer attractiveness link

CSP Data	Sample	Methodology	Research Question	Finding	
Turban & Greening, 1996, "Corporate Social Performance and Organisational Attractiveness to Prospective Employees"	student ratings via likert scale	Student sample 1: n=75 (rating reputation) Student sample 2: n=34 (rating attractiveness) 161 companies	Bivariate correlation & linear Regression Controlling for: Size (total assets) profitability (ROA)	H1: Organizations higher on independently rated corporate social performance will more positive reputations and will ne perceived as more attractive employers than organisations lower on CSP	CSR may provide a competitive advantage in attracting applicants only when applicants are familiar with a firm and its CSP
Greening & Turban, 2000, "Corporate Social Performance as a Competitive Advantage in Attracting a Quality Workforce"	KLD (5 dimensions)	Pilot Study: n=39 n = 292	experimental setup: manipulation of CSP ratings to measure the effect of CSP on job seekers perception of company attractiveness	H1: Individuals will report stronger job pursuit intentions toward firmsdescribed with positive versus negative CSP H2: Individual differences will moderate the effects of CSP on job pursuit, gender and person's value for the environment	results support the hypothesis that firms higher in CSP are perceived as more attractive employers than firms lower in CSP and that prospective applicants' job pursuit, probability to interview, and probability to accept a job offer are positively associated with a firm's CSP.
Albinger & Freeman, 2000, "Corporate Social Performance and Attractiveness as an Employer to different Job seeking populations"	25 Companies' CSP evaluated by a panel of business school faculty	low choice: n=30 medium choice: n=91 high choice: n=79 companies=25	Bivariate correlation & multivariate analysis of variance	H1: There will be a strong, positive relationship between organisations' CSP and their attractiveness as employers among job-seeking populations with many choices. This relationship will be wrak or non existant among job seekers with few choes	low choice groups do not value CSR as highly as medium and high choice groups certain dimensions of CSP affect a job-seeker's perception more than others
Backhaus, et al., 2002, "Exploring the Relationship between Corporate Social Performance and Employer Attractiveness"	student ratings & KLD (5 dimensions)	Part 1: n=297 Part 2: n=297 (same sample) companies=50	student survey correlation and descriptive statistics controlling for gender	H1: CSP is important to job seekers H2: Certain CSP dimensions are more important than others H3 & 4: Women and Minorities will value diversity more highly H5: Firm's CSP rating will influence job seeker's assessment of employer attractiveness H6: Individual CSP dimensions will have differential effects on job seekers' assesement of employer attractiveness H7: Employee relations will be the most influential ofthe five dimensions on assessment of employer attractiveness H8: Product issues will rank second among the dimensions in its effect on employer attractiveness	Part 1: CSP is an important criterion in the overall assessment of the company, at all stages. Environment, Community, Employee, Diversity and Product are the most important issues. Women and minorities more concerned about diversity and CSR in general. Part 2: Familiarity with Companies seems to reinforce positive perceptions of CSP and vice-versa. Confronted with actual CSP (ratings) H7 & H8 are not supported

3 METHODOLOGY

3.1 Data Selection & Collection

Corporate social performance

With the problems of measuring CSP described above, collecting CSP data posed itself as the most difficult problem in this research. The problems of measuring CSP are not noted in the literature without reason! There is no single best way to measure CSP and, over time, each new measure proposed has bared its own set of weaknesses (Wolfe & Aupperle, 1991, quoted in Sharfman, 1996, p.287). The most frequently used measures will briefly be outlined below:

As is clear from Margolis & Walsh's CSP-CFP link literature survey, many CSP measures have been used, some more frequently than others [Chart 2.4].

Fortune's frequently-used *America's most admired companies* ranking, for example, measures eight categories, one of which is "responsibility to the community and the environment."²⁵ However, this item is highly correlated to the overall reputation score so it may not be a separate measure (Sharfman, 1996, p.288). One can also argue that data collected through a survey amongst presumably well-informed managers outside the focal firm rather produces the *image* that a particular firm has in the business community (*ibid*, p.290). Brown and Perry propose an entire methodology for removing the *financial halo* of Fortune's ranking (1994) and for the CSP component in particular (1995).

Content analyses of social reports published by the companies themselves would require a valid coding scheme that eliminates the self-serving bias. The more questionable the scheme, the more the research is open to criticism (Sharfman, 1996, p.288). This is what standardised reporting initiatives as discussed above want to address, but support is not yet universal, and might be avoided by those companies who have skeletons in their closets.

²⁵ the others are: innovation, people management, use of corporate assets, quality of management, financial soundness, long-term investment and quality of products/ services (source: http://money.cnn.com/magazines/fortune/mostadmired/best_worst/)

The approach taken for this study (and an increasing number of academic studies) was to rely on CSP ratings provided by professional rating agencies. Several agencies which collect Company CSP data were contacted to inquire about the availability of data for the purpose of this study. After some considerable inquisitive efforts, access to data from three sources could be secured:²⁶

- A sample of 500 global companies rated on four dimensions²⁷ by EIRIS [Text 3.1] which were part of a survey of the “Global 500 Most Responsible Companies” published in Japanese Newsweek.
- A sample of 463 European companies rated in three categories on six²⁸ dimensions collected by Scoris. These companies were from the DJSTOXX600 universe.
- Access to *Socrates*, a database which contains company ratings on 7 dimensions²⁹ on more than 3,000 public US companies collected by KLD [Text 3.1].

The rating methodologies between these three sources differ, as do the things that are measured – sometimes even by dimensions of the same name. Confronted with the *a priori* unexpected wide choice, the author decided to use the KLD data set for several reasons:

- KLD data was used by a majority of previous studies on this topic [Chart 2.4]
- Access to the database meant that the sample of companies could be self-selected, here the S&P500 was chosen as the most representative sample.
- The other samples had shortcomings: the EIRIS sample was non random, no data for employer attractiveness could be found for European companies and both samples were mixing companies from different countries, a potential confounding factor.

Waddock & Graves (1997, p.307) summarise KLD data as follows:

“KLD is an independent rating service that focuses exclusively on assessment of corporate social performance across a range of dimensions related to stakeholder concerns.

KLD’s rating scheme makes several advances beyond those used in earlier research.

First, all companies in the S&P 500 are rated. Second, each company is rated on multiple attributes considered relevant to CSP. Third, a single group of researchers, working independently from the rated companies or any particular brokerage house, applies the same set of criteria to related companies. Fourth, the criteria are applied consistently across a wide range of companies, with data gathered from a range of sources, both internal and external to the firm.”

²⁶ Equal thanks to Jay Carberry, Claudia Volk, Kayoko Chiba

²⁷ Governance, employees, society, environment

²⁸ Environment, corp. governance, business ethics, employees, contractors, customers, community

²⁹ Community, diversity, employees, corporate governance, + 4 negative screens: tobacco, alcohol, gambling, nuclear, military

See also Appendix 3 on KLD's methodology, data sources [Text 3.2] and rating criteria [Text 3.4] and their detailed descriptions [Text 3.4]. As recently as 2002 (Backhaus *et al.*, 2002), the most widely used rating method was to assign a score on a scale from -2 (major concern), -1 (concern) to 0 (neutral) and +1 (strength) to +2 (major strength) to each KLD CSP dimension, also used by Turban & Greening, (1997); Waddock & Graves, (1997).

However the measures have improved over time. Today, the Socrates database³⁰ to which the author had been given bespoke personal access for the purpose of this study, reports a number of both strengths and concerns in seven major dimensions and negative scores in five more areas of potential concern³¹ [Table 3.3]. These dimensions are:

- Community
- *Corporate Governance (new)*
- Diversity
- Employee Relations
- Environment
- *Human Rights (new)*
- Product
- Negative screens: involvement with alcohol, tobacco, gambling, military, nuclear power

It must be noted, that virtually all previous research used only five of these dimensions. Although the dimensions 'human rights' and 'corporate governance' were collected and available in the database since 1991 (communication with KLD), previous researchers have not used these dimensions because they were only partially available or not labelled correctly (communication with Prof Waddock).

Similar to Sharfman's conclusions (1996), it seems best to transform the raw KLD data in several ways. The study will follow two approaches of displaying KLD scores. KLD assigns a number of strengths (positive) and concerns (negative) to each dimension (*see* [Table 3.5] for a worked example). For each firm, concerns are subtracted from strengths along all dimensions for aggregate dimension scores. This simple method was also used by Turban & Greening (1997).

Careful analysis of the KLD data and its rating methodology revealed that by design some CSP dimensions have different possible maximum values,³² because they

³⁰ <http://web.kld.com/>

³¹ (-1) if present, (0) otherwise

³² See [Table 3.2]. Since there are eight criteria for diversity strength the maximum value (if no concerns present) is eight, the human right dimension however can only achieve a maximum score of three.

are composed of differing numbers of criteria. Hence a standardisation of scores is recommended.

This is taken account of through the second transformation, as used for the publication Business Ethics' *100 Best Corporate Citizens* survey and also Garz *et al.*, (2002) who work with Scoris' CSP data, is to display dimensional KLD net ratings (from above) as z-scores.³³ This means that they are always relative scores, indicating the distance from the population mean in number of standard deviations.³⁴ Below the formula and example for the transformation of the employee dimension into z-scores:

$$z = \frac{X - \mu}{\sigma}$$

$$z_{emp,i} = \frac{rating_{emp,i} - \overline{rating_{emp,i}}}{\sigma_{emp}}$$

Garz *et al.* (2002, p.48):

“z-scores have the advantage that results can be interpreted simply, directly and unambiguously. A zero score means that a company tallies precisely with the market average”

These transformations of the data represent a significant improvement over the methods of many other studies using KLD data.

To derive composite scores representing the firm's entire CSP as a single number, weighting individual dimensions can be considered. Although Waddock & Graves (1997) weighted their dimensions, it is not recommended because the weighting will be different for each stakeholder. Generally, composite scores should be avoided. Alternatively, a new CSP could be constructed containing only the stakeholder group relevant factors (*here*: job seekers). The Scoris data is used with sophisticated and industry specific weighting systems (Garz, 2002), but it could not be applied to KLD's data, because the dimensions are arranged too differently. EIRIS created composite scores for its data by simply adding all four scores.

In addition to the equal weight, non-standardised (net strengths) and standardised transformation (z-scores), the author has applied an estimated subjective weighting, informed by a month of research and based on other literature for internal use [Table 4.5].

³³ “Z scores are a special application of the transformation rules. The z score for an item, indicates how far and in what direction, that item deviates from its distribution's mean, expressed in units of its distribution's standard deviation. The mathematics of the z score transformation are such that if every item in a distribution is converted to its z score, the transformed scores will necessarily have a mean of zero and a standard deviation of one.” <http://www.animatedsoftware.com/statglos/sgzscore.htm> (accessed: 06/09/2006)

³⁴ Since the population is not available, the S&P500 sample mean will be substituted. Using the industry-mean would facilitate intra-industry comparisons.

Volumes could be, have been, and continue to be written on CSP measurement, and on the transformation of KLD ratings into the most representative quantitative form. For example, Sharfman (1996) examines the validity of KLD CSP ratings by comparing it to Fortune's rating. He finds only medium correlation (less than 50% of the variance in either variable explained), which could stem from the fact that either KLD or Fortune rankings are the better measure for CSP. The *financial halo* of Fortune's *most admired* survey could be a confounding factor. Still, this just shows that the validity of KLD ratings is not guaranteed (Mistra, 2001; Vivien *et al.*, 2004).

At the time of writing, new research emerged (Mattingly & Berman, March 2006) which finds that using factor analysis, KLD dimension strengths and weaknesses should be treated separately. Further they suggest that the six (they ignore human rights) factors be reduced to four: institutional strengths and weaknesses and technical strengths and weaknesses.

At the same time KLD ratings which assign a value of "1" for each strength or concern, irrelevant of its salience, is a gross simplification. KLD indicated the introduction of a new rating system in which a score of 1-3 can be assigned to each strength or weakness - "*swirling waters of CSP measurement*" indeed (Carroll, 1991, p.386)

Employer attractiveness

In the next step, these CSP ratings had to be matched with a suitable proxy for employer attractiveness. Most previous studies (*Table 6*) had relied on small sample student surveys. Rankings such as "Best Companies to Work for" published by magazines such as The Times (UK), Fortune (US) and others were not suitable because they measure the satisfaction of *current*³⁵ employees and not the *desire* to work with a company perceived by *outsiders*. *Id est* the CSR signal is perceived differently

Finally, suitable data was provided by Universum Communications.³⁶ Two populations have been surveyed. The first sample includes 37,063 undergraduates from 207 US universities studying subjects in business, IT, engineering, science and the arts. Albinger and Freeman (2000) would refer to this kind of job seeker as medium-choice applicants.

4,996 MBA students from 43 US universities constitute the (~high-choice) second sample. Both sets were collected in the time period between December 2005 and March

³⁵ Methodology described in Great Places to Work, 2006, p.54

³⁶ Universum Communications is an employer branding specialist, based in Philadelphia, which conducts yearly surveys and also provides the data for Fortune's 100 Top MBA Employers ranking. The results are also featured in the Financial Times, CNN and other media outlets. Thanks to Mikael Eriksson.

2006. Data is also collected on gender, or can be broken down by area of study, but these have not been requested.

Students were asked to name their Top5 “*most desirable workplaces*” as well as to consider 15 to 25 companies that they would *consider* working for. This results in four samples, *UG ideal*, *UG considered* (both 195 companies), *MBA ideal*, *MBA considered*, (both 177 companies), *see* [Table 6.1 & Table 6.2] for a full list. 99 of the companies that are on the ‘MBA ideal’ list are also in S&P500; likewise 93 companies which are in the S&P500 appear on both the MBA and UG lists [Table 6-1 – 6.4]. The study will focus primarily on the ‘MBA ideal’ sample. Having selected the S&P500 as the sample base, only publicly traded companies³⁷ primarily from the US are under investigation.

Fortune *100 Top MBA Employers* also reports industry specific salary figures [Table 6.7] that MBAs say they expect to receive. These have been assigned by hand to the companies in the sample [Table 6.8], on an industry basis [Table 5.1]. Starting salaries and five-years-time’s salaries were added and divided by two to take job applicants’ long- as well as short-term considerations equally into account (variable *SalaryIndicator*).

The advantage of picking the MBA ranking over the more broad undergraduate rating is a better defined, more homogenous sample which could be matched with salary data that was subsequently used as a control variable in the later regression. If undergraduates of different study areas had been used it would have been very difficult to determine whether a person would want work in with a company, say, because of its management’s reputation or that of its engineering department – for example in the case of chip manufacturer Intel. Because the sample consists only of MBA students, it is clear that students aim for the same kind of jobs within a company.

Financial data

Financial data for the sample companies was taken from Standard & Poor’s Compustat database (accessed through the Wharton Research Data Service) for the (most recent) 2005³⁸ financial year and attached to the data series without modification. Compustat is the most popular source of financial data and was also used in Turban & Greening, (1996) and Waddock & Graves (1997) *inter alia*. The entire dataset (n=495) containing all three elements can be found in Appendix 6 [Table 6.8].

³⁷ Large-cap companies with >US\$ 4billion marketcap

³⁸ The following have been supplemented with 2004 financial data: Navistar International Corporation, Cintas Corporation, FedEx Corporation, NIKE, Inc., ConAgra Foods, Inc., General Mills Incorporated, Heinz (H.J.) Company, Bausch & Lomb Incorporated, Biomet, Inc., Medtronic, Inc., Paychex, Inc., CA, Inc., Oracle Corporation, Converse Technology, Inc., Tektronix, Inc.

There are pros as well as cons of using the S&P500 as the sample base. On the one hand information for this group of companies was more easily available (and may be the only sample for which these information are available without further primary research). Also, the potential for surveyed companies' large size confounding the comparison of companies of different size is avoided – although Orlitzky (2001) found that company size had no effect on the CSP-CFP link.

On the other hand the sample excludes non-public companies, and this means excluding some of the job-seekers' favourite places to work (mainly consultancies, McKinsey, etc) [Chart 4.2]

4 ANALYSIS

4.1 Analysis & Findings

Employer attractiveness is assumed as the dependent variable, while CSP is the predicting variable. In contrast to the CSR-CFP causality dilemma, the possible direction of the causality seems clearer in this case, or at least has not been disputed in the literature. The analysis will use multiple regression analysis and simple descriptive statistics.

Table 7 Correlation and Descriptive Statistics

	mean	s.d.	Com- munity	Diversity	Emp- loyees	Environ- ment	Human Rights	Product	Corp Gov	MBA Ideal (n=99)	Total Assets	ROA '05	Salary Indicator
Corporate Social Performance													
Community	0.22	0.95	1										
Diversity	1.37	1.59	0.38 **	1									
Employees	-0.11	1.21	0.10 *	0.13 **	1								
Environment	-0.15	1.12	0.25 **	0.14 **	0.08	1							
Human Rights	-0.14	0.42	-0.10 *	-0.08	0.03	0.26 **	1						
Product	-0.57	1.00	-0.08	-0.16 **	0.18 **	0.14 **	0.10 *	1					
Corp Gov	-0.56	0.83	-0.04	0.03	0.07	0.05	0.02	0.14 **	1				
Employer Attractiveness													
MBA Ideal (n=99)	0.02	0.03	0.20 *	0.27 **	0.20 *	0.18	-0.33 **	-0.13	0.06	1			
Control Variables													
Total Assets	47,482	143,968	0.36 **	0.25 **	0.05	0.00	-0.16 **	-0.27 **	-0.18 **	0.42 **	1		
ROA '05	0.07	2.24	-0.06	-0.02	0.14 **	0.02	-0.07	0.14 **	0.09	0.06	-0.19 **	1	
Salary Indicator	124,100	10,859	0.06	-0.01	0.08	-0.09 *	-0.09	-0.14 **	-0.06	0.43 **	0.30 **	-0.07	1
	mean	s.d.	Com- munity	Diversity	Emp- loyees	Environ- ment	Human Rights	Product	Corp Gov	MBA Ideal (n=99)	Total Assets	ROA '05	Salary Indicator

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Table 7 shows descriptive statistics which have been calculated from non-standardised KLD ratings. A full version is given in the Appendix, [Table 4.7].

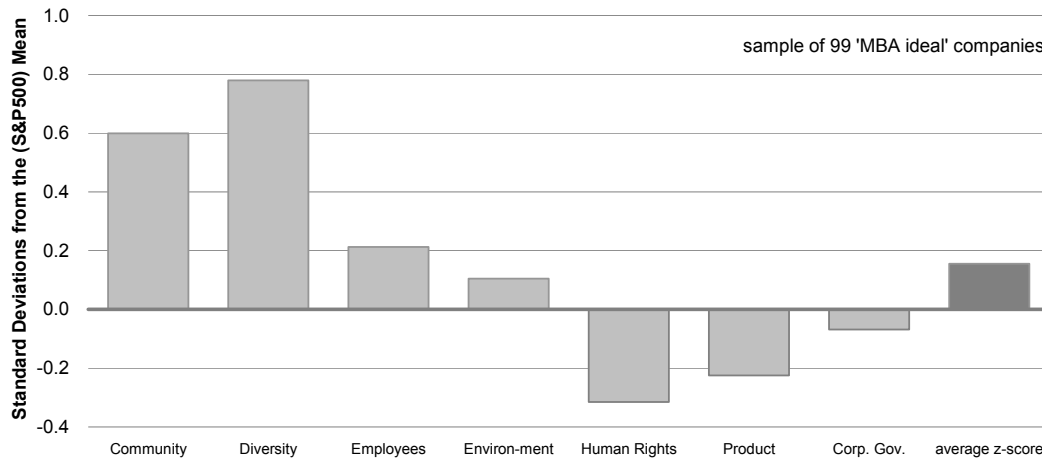
Although Turban and Greening (1997, p.663) noted that (*in their case*) Pearson's *r* of the CSP dimensions amongst themselves did not exceed 0.48, in this dataset this value is below 0.38, despite significance [Table 4.3]. But factor analysis has shown that fewer variables would be required to express CSP in this set. However, to maintain the dimension influence and comparability the dimensions continued to be treated separately.

The correlation of factors with employer-attractiveness proxy 'MBA ideal' are the most interesting ones. Four of the seven dimensions show significant relationships, although 'human rights' is negatively correlated. Salary and company size (Total Assets) show a strong correlation with 'MBA Ideal'.

The high average for diversity for example can be explained by the fact that KLD’s rating grid allows eight strengths, but only three concerns [Table 3.3] (also discussed in section 2.3). In this case z-scores are more meaningful.

Looking at the standardised z-scores, which have also been broken down for each industry in both the S&P500 (n=495) and the ‘MBA ideal’ (n=99) sample, one can see in which categories the 100 favourite companies distinguish themselves from the average S&P500 company (*Chart 8*) and *see* [Table 4.6].

Chart 8 CSP of MBAs' favourite companies to work for relative to S&P 500



Why are MBA’s favourite companies below S&P500 average on the dimensions Corporate Governance, Product and Human Rights? Looking at the criteria for Corporate Governance [Text 3.4], one has to wonder why ‘low CEO pay’ is considered as necessarily ethical/responsible. It comes as no surprise that this characteristic fares badly with ambitious MBA students (given the correlation of attractiveness with Salary *Table 7*). KLD’s rating criteria seem very immature for the corporate governance dimension, where criteria such as “*position of chairman and CEO are held by different persons*” or “*supervisory board independence*” have established themselves as the standard criteria for dimensions of the same name by other research agencies (e.g. Scoris, EIRIS). Looking at the criteria for the other dimensions does not evoke any obvious explanations.

The simple linear regression for the research question would look like this:

$$E(Y) = \alpha + \beta x$$

$$E(\text{employer_attractiveness}) = \alpha + \beta_{CSP} x_{CSP}$$

To control for non-CSP influences a (multiple) hierarchical regression analysis is conducted.

$$E(Y) = \alpha + \beta_1 x_1 + \beta_2 x_2 + \dots + \beta_k x_k$$

$$E(\text{employer_attractiveness}) = \alpha + (\beta_{\text{assets}} x_{\text{assets}} + \beta_{\text{ROA}} x_{\text{ROA}} + \beta_{\text{Salary}} x_{\text{Salary}}) + \beta_{\text{com}} x_{\text{com}} \\ + \beta_{\text{div}} x_{\text{div}} + \beta_{\text{emp}} x_{\text{emp}} + \beta_{\text{env}} x_{\text{env}} + \beta_{\text{hr}} x_{\text{hr}} + \beta_{\text{pro}} x_{\text{pro}} + \beta_{\text{gov}} x_{\text{gov}}$$

The setup follows and expands Turban & Greening (1997) with the additional data available today. Three control variables – company size (total assets), profitability (ROA) and industry salary (salary indicator) – are added in the first step, shown in brackets above. This controls for the effects other than CSP that influence employer attractiveness:

“Because we expected larger and more profitable firms to receive more publicity and to have greater name recognition, we controlled for organisation size and firm profitability. Turban and Keon (1993) presented evidence that an organization’s size influences its attractiveness and that reputation is related to profitability (Brown & Perry, 1994)”

Later on, Turban and Greening (ibid, p.668) find that more familiar firms were rated as more attractive. More familiar firms were larger, had a more positive reputation, more media exposure, larger advertising budgets and were more likely to recruit on campus.³⁹ This suggests that the more people have heard about a firm, the more positively it is regarded (ibid).

The seven CSP dimensions, including human rights and corporate governance are added in the second step, (ibid, p.663):

“The change in r^2 from step 1 to step 2 provides a test of whether the set of CSP dimensions explains variance in the dependent variable beyond what the control variables explain. The significance of the regression coefficients indicates whether the CSP dimensions explain unique variance in the dependent variable”

After the control step, the CSP dimensions (Environment and Human Rights) explained more of the unique variance in employer attractiveness than the control variables alone.⁴⁰

In sum, these results indicate at best only weak support that CSP is related to companies’ attractiveness. Given that only two dimensions could significantly add

³⁹ Turban and Greening (1996, p.665-6) report negative correlations between unfamiliarity with firm and firm size (-0.25), media exposure (-0.45), advertising expenditure (-0.40), reputation (-0.52) and attractiveness as an employer (-0.49). However, company size has been noted as insignificant as an influence on CSP (Waddock & Graves, 1997, Orlitzky, 2001)

⁴⁰ r^2 is the percent (explained deviation) divided by (total deviation). This calculation yields a percentage. Each additional variable used in the equation can only increase, not decrease r^2 , even when the new variable causes the equation to become worse. In theory, using an infinite number of independent variables to explain the change in a dependent variable would result in an r^2 of one. The *adjusted* r^2 value however *can* decline in value if the contribution to the explained deviation by the additional variable is less than the impact on the degrees of freedom. The adjusted r^2 is *not* a percentage. This study is using the adjusted r^2 .

explanatory value, suggests that job seekers can infer most other dimensions from company size, profitability and salary. The KLD human rights dimension has not been discussed in the literature before or been used in any empirical study. It is unclear why this dimension in particular should be most relevant.

Table 9 Results of Regression Analysis predicting Employer Attractiveness

Predictors	Employer Attractiveness	
	β	Change in r^2
1. Control variables		0.30 **
Assets	0.35 **	
Profitability (ROA)	0.25 **	
Industry Salary	0.26 *	
2. CSP Dimensions		0.08 *
Community	-0.05	
Employees	0.11	
Environment	0.19 *	
Product	-0.03	
Diversity	0.13	
Human Rights	-0.23 **	
Corp. Governance	0.11	
Total r^2		0.38 **

* $p < 0.05$

** $p < 0.01$

n.b.: standardised β coefficients and adjusted r^2 for the full model are shown.

The idea to run a regression with a single overall CSP score has been rejected because of the problems shown of calculating a fair overall CSP score, since there are many ways to weigh stakeholder. Secondly, this way dimension differences remain visible.

Table 10 Correlation Matrix, KLD-EIRIS data on common dimensions

	KLD Community	KLD Employees	KLD Environment	KLD Corp Gov	KLD Total '06
EIRIS Society	0.270 **				
EIRIS Employees	0.192 *	0.074			
EIRIS Environment	0.290 **	0.107	0.149		
EIRIS Governance	0.058	0.057	-0.001	0.080	
EIRIS Total '06	0.286 **	0.114	0.062	0.192 *	0.298

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

$n = 151$

Inspired by Sharfman (1996), an exploratory *post-hoc* analysis of the validity of KLD data has been attempted. To make use of the availability of CSP ratings from different sources that the research process yielded, KLD ratings of 151 companies

which are in both sets (section 3.1) are correlated with their corresponding EIRIS ratings. Only those dimensions that could be matched were compared. ‘*KLD Total ‘06*’ and ‘*EIRIS Total ‘06*’ both are simple, equal weighted totals of all other dimensions.

The results indicate a very weak and largely insignificant correlation. These could be taken as primary research results: that CSP is difficult to measure and that definitions vary. Perhaps different aspects of CSR are captured under different dimension headings?

4.2 Discussion

The analysis has shown weak support for the CSP-employer attractiveness link. At the same time there is no evidence for a negative link. Methodologically similar to earlier studies, but with better data on employer attractiveness, improved KLD data and an added control variable for salary, this study’s conclusions don’t support a CSP-employer-attractiveness link and exhibit its fugitive characteristics. The *post-hoc* analysis of KLD-EIRIS CSP correlation has supported the view of imprecise and fragile CSP measures.

Possibly too many factors were being ignored, since this study did not take account of company reputation, media exposure and eventual differences within the sample population. It is not improbable that student first select their favourite industry to work in, and then potentially after controlling for company reputation and salary, pick the most ethical one.

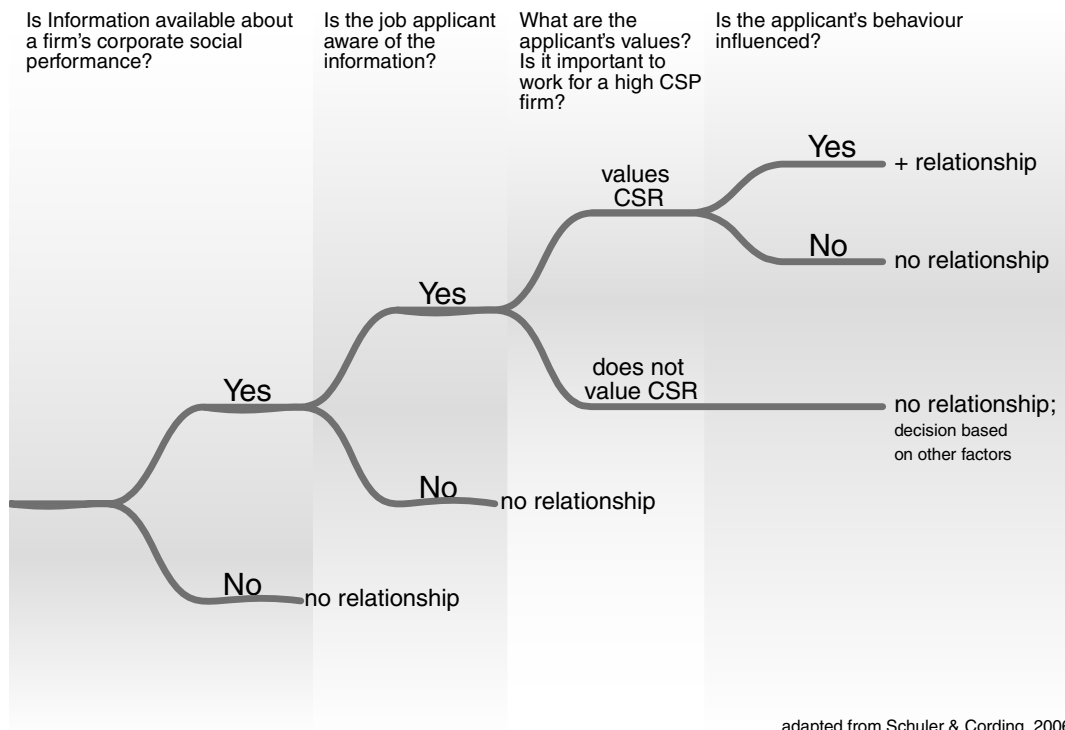
The CSR element might play only a very minor role in the company selection process. It would seem natural to assume that CSR is considered a threshold requirement that, if above a certain acceptable level, does not matter. It does however increase in importance if the CSR track record is either very bad or very good.

If CSR only plays a minor role, Ullmann’s (1985) CSP-CFP hypothesis that too many variables are involved to be able to detect a direct relationship might also apply to this link.

CSR is perceived in a very similar way as brands and company reputation are: based on what people learn, they form an image in their minds. As Fortune’s *most admired companies* ranking shows, perceptions and reality don’t always match. The image is mainly fed by what companies choose to disclose, or sometimes what the media decide to publish. How would the CSR perception of a company that donates £1 million anonymously differ from the one that does the same and spend another £10 million on publicising its donation (as it happens in the tobacco industry)?

CSR communication might matter more than (actual) performance. Reviewing the literature, a model by Schuler & Cording (2006) explaining the CSP-CFP linkage was discovered. Schuler and Cording (2006) put forward several explanatory behavioural conditions of consumers which all have to be fulfilled for a business case to exist (*i.e.* a positive CSP-CFP link). The author has adapted this model to the job market below.

Figure 11 Decision tree to identify importance of CSR



Unless the job applicant had the opportunity to inform himself of a company's CSP, his decision cannot be influenced by the company's CSR practice. Unless the individual values the CSR exhibited by the company (value congruence!), or values CSR in general, his decision cannot be influenced. In the final stage the impact has to be large enough, for example to make the student write the company's name on his list of TOP5 companies to work for. If a condition is not met at any stage, there is likely to be no CSP-employer attractiveness relationship.

If the characteristic of the MBA student body is such that only few are informed about CSR (should expect better from MBA students), few care about CSR (although several studies contradict this [Table 2.9 & 2.10]), or behaviour is simply not changed by the CSR signal (the temptation of money is too big?) then a neutral result would be explained. Alternatively, Companies simply could not have made their CSR information public.

4.3 Limitations

Limitations have been addressed throughout the study; where this wasn't possible they are discussed separately here.

A major limitation is the restrictive validity of the findings to the MBA student body. Other studies have shown that different audiences (*e.g.* women, minorities, undergraduates, already employed) perceive and behave differently.

It is known that companies in Fortune's *100 Best companies to work for* have by far outperformed the average S&P500 stock [Chart 2.11], however no study, known to the author, examines the performance of companies which are most attractive to *job seekers* (here: MBAs). Hence the literature (including this study), which states that being an attractive employer (to *current employees*) results in a competitive advantage makes the assumption that this is the case. Are the extra applicants attracted of higher quality than those who apply anyway? Does the screening process pick out these higher quality entrants? It is difficult to imagine that large applicant pools could have negative effects, but perhaps the real question is whether the extra effort (costs) of attracting them pays off.

The time aspect addressed by some other studies has been completely ignored in the analysis. It is argued that investments into CSR pay off at a later date or even only in the very long term (*cf* Orlitzky *et al.*, 2003), this study has consistently used the latest figures that were available.

There also seems to be a fashion element involved in the popularity of some companies. For example last year, Google was not amongst the Top100. This could produce outliers which are difficult to account for – this has not been checked for.

Maybe CSP is not perceived by the majority of the job seeking population as it is researched by KLD, or maybe the Fortune rating might achieve higher levels of correlation; but this would likely propagate better PR rather than more investment into CSR – see again the example of tobacco companies. The sample was assumed to be homogeneously informed, yet this is not a realistic assumption. On the contrary, knowledge about companies CSR is hypothesised to be very heterogeneous.

5 CONCLUSION

The results show a neutral image rather than a strongly positive link. Different statistical methods and perspectives let indications of a relationship flash up occasionally, but not always does this signal hold up to a second glance. It is not clear if this is the result of blurry CSP measures, model misspecification, or if the link is just too weak for detection amongst the general noise.

Theoretical explanations do exist, however, for both, a positive and a neutral link as illustrated. The study concludes that the weak correlation found indicates that more factors are involved which must be considered, and that the presented model shows a starting point for this consideration.

5.1 Future Research

As hinted in the study and as evident from the limitations, the study is subject to resource constraints that make a further visit to the topic promising. The study could be expanded to non-MBA populations, or fine-tuned to take account of job applicants' sex, ethnicity, age, and current employment status. Does the experienced job-seeker select differently? Does the nature of the company make a difference? Is there a public company effect? How does the lack of an agency problem and shareholders influence CSR? Since this study only examined public companies it would also be interesting to examine if the CSR of privately-owned companies plays a different role, since there has been no examination in the existing literature of the role which this company characteristic might play.

Having proposed an adaptation of Schuler and Cording's model as a possible explanation, experimental research could attempt to test the hypothesised relationships.

Other studies (Margolis & Walsh, 2003) call for research into the causality of the CSP-CFP link, or into the theoretical background. However, recently there have been improvements in CSP measurement – or rather the methodology with which existing data (in particular: KLD) can be transformed into meaningful quantitative figures has gained in sophistication (Mattingly & Berman, 2006). Unfortunately, these results were discovered too late to apply them to this study. At the same time KLD and other agencies are refining their CSP measures.

Following the discussion, I hypothesise that those companies who build their image and publicise their CSR efforts are probably popular with job seekers. But those companies that have CSR embedded in their culture are more likely to appear on Fortune's *Best companies to work for*.

Drawing on previous personal experience, CSR's complexity and dynamic nature seem to lend themselves very well to an analysis of the dynamics of CSR with the tools of systems thinking, and it is surprising that this has not been attempted before.

It is certainly the case that more theoretical research into the CSR construct is needed, for as long as CSR can't be quantified.

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Appendix 1 Corporate Social Responsibility

Text 1.1 Examples of corporate social responsibility

- Nike, along with numerous other American and European firms that produce or sell apparel, footwear, sporting equipment, and toys, monitors working conditions in its supplier factories in developing countries.
- Ikea requires its rug suppliers in India to prohibit the employment of children and provides families with financial assistance to help keep their children out of the labour market.
- Starbucks, as well as many other major coffee distributors and retailers, sell coffee bearing the Fair Trade label, which guarantees coffee producers an above-world-market price for their products.
- Home depot, along with major retailers of wood products in the United States and Europe, no longer sells products harvested from old growth or endangered forests.
- British Petroleum, along with scores of other major firms in the United States and Europe, has significantly reduced its greenhouse gas emissions.
- Shell, along with many other major international extractive industry firms, has adopted policies to address human rights and environmental abuses associated with its investments in developing countries.
- Citibank, along with other major financial institutions, has developed criteria for assessing the environmental impact of its lending decisions in developing countries.
- PepsiCo, along with more than a dozen oil companies and consumer goods manufacturers, has withdrawn its investments from Burma because of human rights concerns.
- McDonald's has adopted the European Union's restrictions on the use of growth-promoting antibiotics for its suppliers of beef and chicken in the United States.
- Chiquita has implemented stringent environmental practices for its suppliers of bananas in Central America.
- Timberland allows its employees to taken one week off with pay each year to work with local charities.

These are a all examples of corporate social responsibility or business virtue – that is, practices that improve the workplace and benefit society in ways that go beyond what companies are legally required to do.

Source: Vogel, 2005, p.1-2

Chart 1.2 CSR papers by journal, 1992-2002

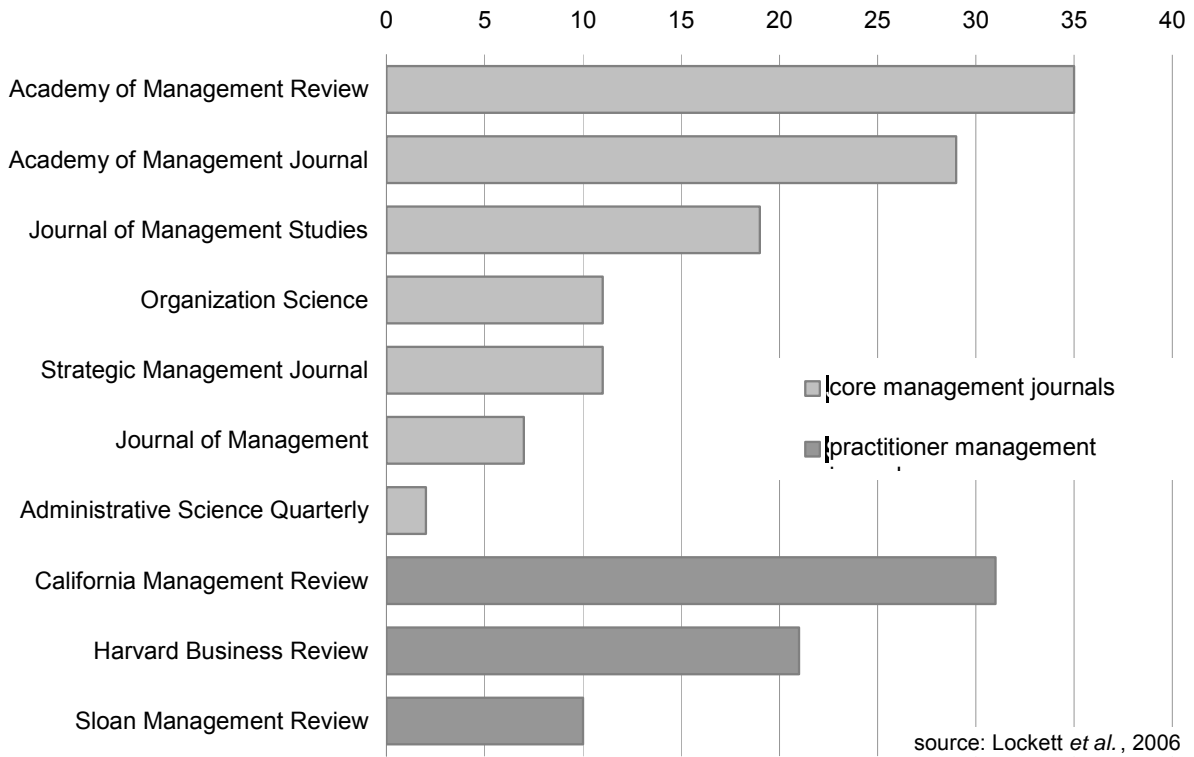
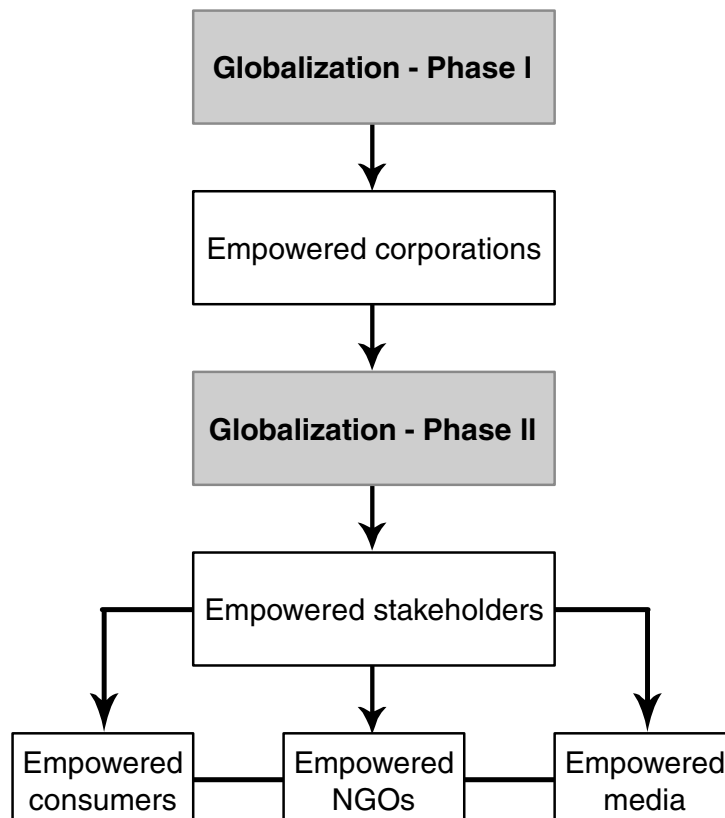


Figure 1.3 The influence of globalisation on stakeholder empowerment



Source: Werther & Chandler, 2006

Table 1.4 Global Report Initiative (GRI) reporting guidelines

	Category	Aspect
Economic	Direct Economic Impacts	Customers Suppliers Employees Providers of capital Public sector
Environmental	Environmental	Materials Energy Water Biodiversity Emissions, effluents, and waste Suppliers Products and services Compliance Transport Overall
Social	Labour Practices and Decent Work	Employment Labour/mangement relations Health and safety Training and education Diversity and opportunity
	Human Rights	Strategy and management Non-discrimination Freedom of association and collective bargaining Child labour Forced and compulsory labour Disciplinary practices Indigenous rights
	Society	Community Bribery and corruption Political contributions Competition and pricing
	Product Responsibility	Customer health and safety Products and services Advertising Respect for privacy

source: GRI, 2002

Text 1.5 UN Global Impact Principles

The Ten Principles

The Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:

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.

Labour Standards

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 labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

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: Businesses should work against all forms of corruption, including extortion and bribery.

Source: <http://www.unglobalcompact.org/>

Text 1.7 International Survey of Corporate Responsibility Reporting

The KPMG International Survey of CSR Reporting is a triennial survey that analyses trends in CSR reporting in the world's largest corporations. Altogether this fifth international CSR survey covers more than 1600 companies.

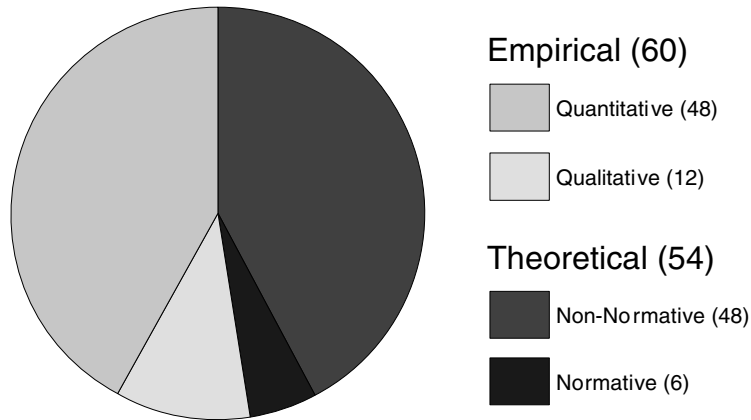
Major survey findings include:

- corporate social responsibility have been steadily rising since 1993 and has substantially increased in that past three years. In 2005, 52% of G250 and 33% of N100 companies issued CSR reports, while it was only 45%, respectively 23% in 2002
- CSR reports have shifted from being purely environmentally focused in 1999 to being more sustainability focused (social, environmental and economic)
- although the majority of N100 companies in most countries still issue separate CSR reports, there has been an increase in the number of companies publishing CSR information as part of their annual reports
- at a national level, the top two countries in terms of CSR reporting are Japan (80%) and the UK (71%)
- business drivers for CSR are diverse, both economic (74%) and ethical (53%); the top three reported economic drivers are innovation & learning, employee's motivation and risk management & reduction
- almost two-thirds of CR reports include a section on corporate governance, although most reports lack specifics on how CSR is structured and information on how governance policies are implemented within the organisation
- report content is most commonly decided based on GRI guidelines (40%) with only a fifth (21 percent) mentioning stakeholder feedback on the report
- yet, stakeholder dialogue was mentioned in almost 40 percent of reports with dialogue focused more on CSR policies than reporting
- compared with environmental issues coverage of social and economic issues and topics is far more superficial
- social topics are discussed, but while the majority of companies express their commitment to these issues reporting performance remains sketchy, possibly due to the lack of clear social indicators
- reporting on the supply chain is now common. Supplier issues are mentioned in a vast majority (80 percent) of reports, albeit without specifics, as companies are increasingly being asked to extend their responsibility down their supply chain
- climate change, which was addressed in about 85% of reports, is the most pressing environmental issues of today.
-

Source: KPMG, 2005 & <http://www.eldis.org/cf/search/disp/docdisplay.cfm?doc=DOC18813&resource=f1>

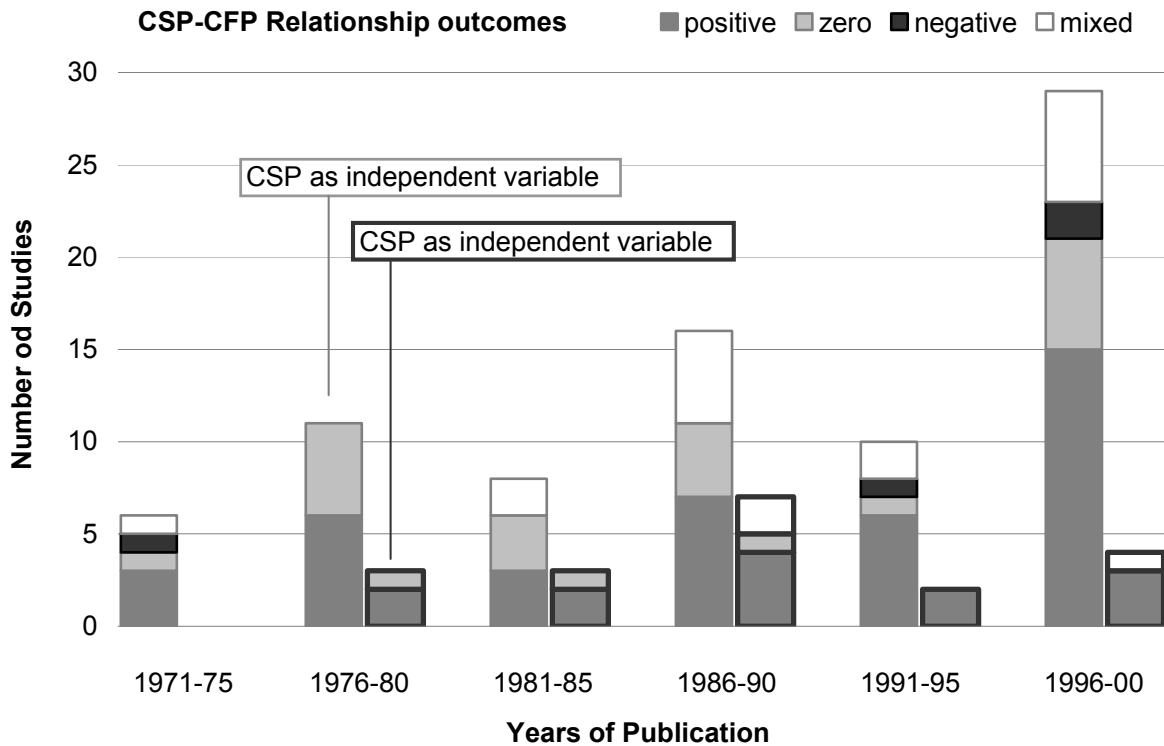
Appendix 2 CSR Literature & Theories

Chart 2.1 The nature of CSR literature by type, 1992-2002



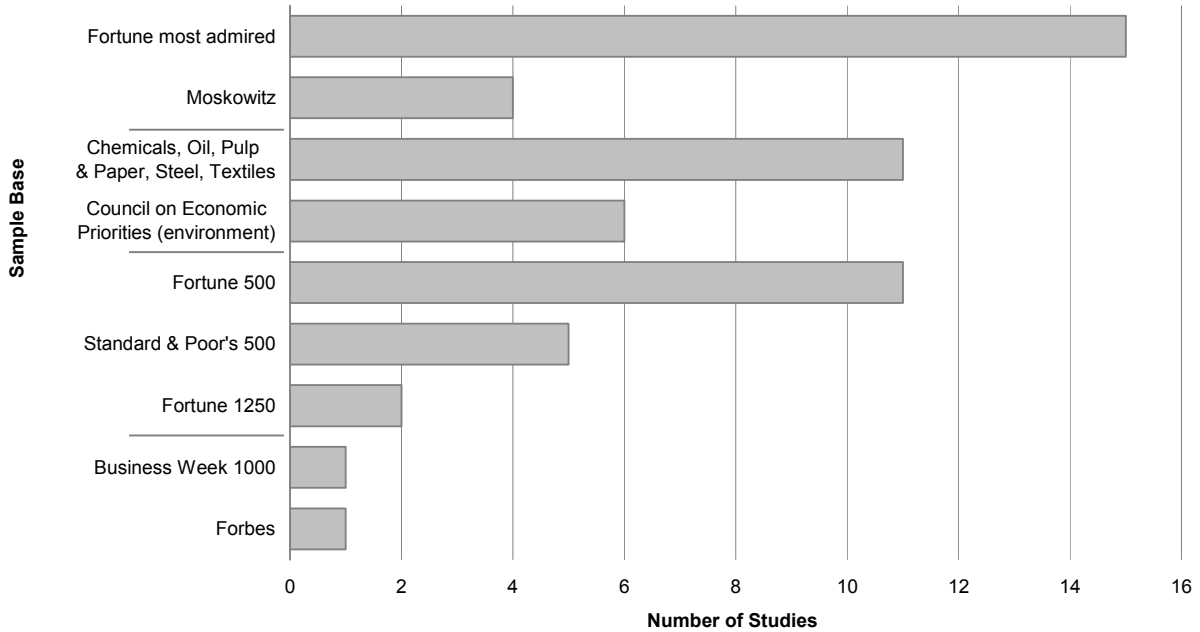
Source: Locket *et al.*, 2006

Chart 2.2 Results by year of publication: corporate social performance as independent (left) and dependent (right) variable



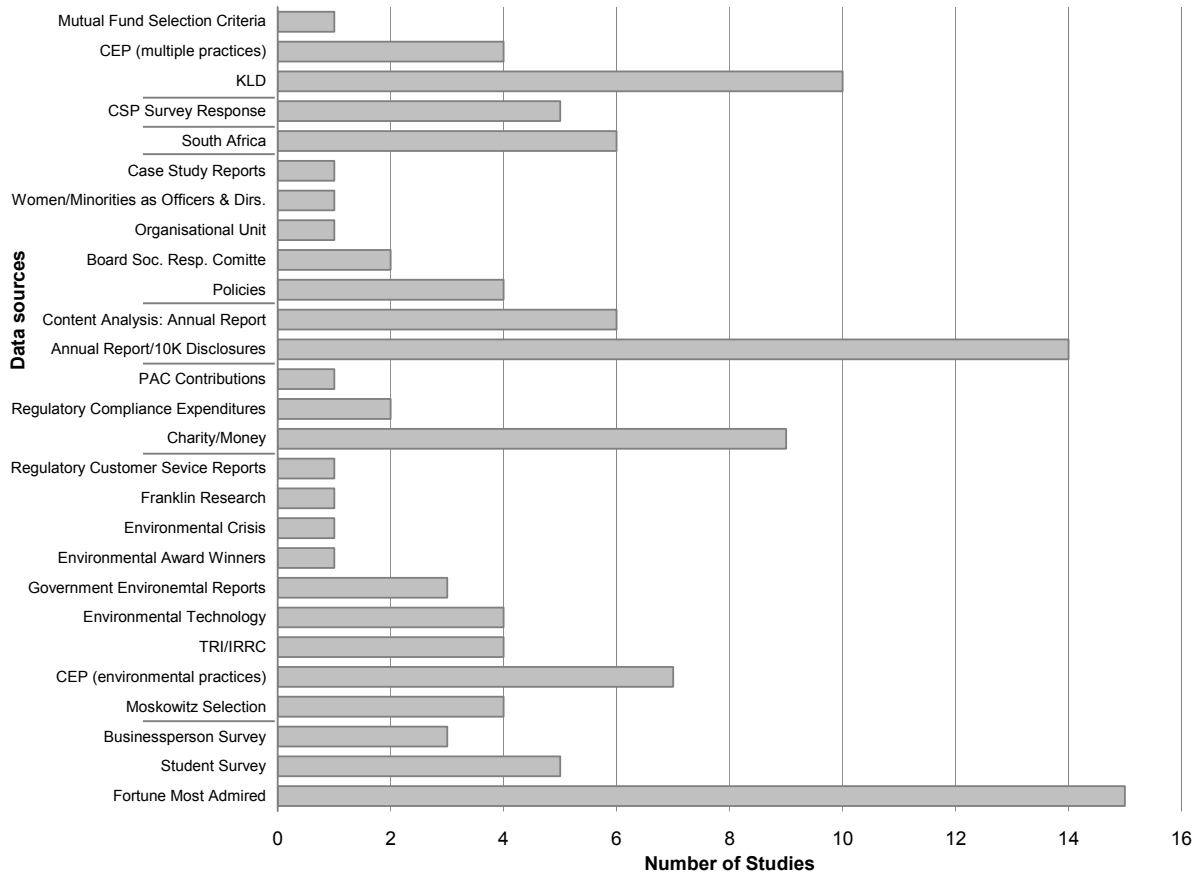
source: Margolis & Walsh, 2001

Chart 2.3 Corporate social performance: sampling the good, the bad, and the big in 56 of 95 Studies



source: Margolis & Walsh, 2001

Chart 2.4 Measuring corporate social performance: data sources employed in 95 studies



source: Margolis & Walsh, 2001

Table 2.5 Results and measures of 127 CSP-CFP Studies

Relationship between Corporate Social Performance and Corporate Financial Performance in 127 Studies*

Study	Measure		
	Social performance	Financial performance	
Corporate social performance as independent variable			
Positive relationship			
1	Anderson & Frankle (1980)	Disclosure of social performance	Market
2	Belkaoui (1976)	Disclosure of pollution control	Market
3	Blacconiere & Northcut (1997)	Disclosure of and expenditures on environmental practices	Market
4	Blacconiere & Patten (1994)	Disclosure of and expenditures on environmental practices	Market
5	Bowman (1976)	Disclosure of social performance	Accounting
6	Bragdon & Karash (2002)	Stewardship, systems thinking, transparency, employee growth, financial strength	Market
7	Bragdon & Marlin (1972)	CEP evaluation	Accounting
8	Brown (1998)	Fortune reputation rating	Market
9	Christmann (2000)	Survey of environmental practices	Cost advantage
10	Clarkson (1988)	Ratings of charity, community relations, customer relations, environmental practices, human resource practices, and org. structures based on case studies	Accounting
11	Conine & Madden (1986)	Fortune reputation rating	Perception of value as long-term investment and of soundness of financial position
12	D'Antonio, Johnsen & Hutton (1997)	Mutual fund screens	Market
13	Dowell, Hart & Yeung (2000)	IRRC evaluation of environmental performance	Accounting & market
14	Epstein & Schnietz (2002)	Industry reputation for environment and labor abuses	Market
15	Freedman & Stagliano (1991)	Disclosure of EPA and OSHA costs	Market
16	Graves & Waddock (2000)	KLD evaluation	Accounting & market
17	Griffin & Mahon (1997)	Fortune reputation rating, KLD evaluation, charitable contributions, pollution control	Accounting
18	Hart & Ahuja (1996)	IRRC evaluation of environmental performance	Accounting
19	Heinze (1976)	NACBS ratings	Accounting
20	Herremans, Akathaporn & McInnes (1993)	Fortune reputation rating	Accounting & market
21	Ingram (1978)	Disclosure of social performance	Market
22	Jones & Murrell (2001)	Working Mother list of "Most Family Friendly" companies	Market
23	Judge & Douglas (1998)	Survey of environmental practices	Accounting & market share
24	Klassen & McLaughlin (1996)	Environmental awards and crises	Market
25	Klassen & Whybark (1999)	Survey of environmental practices and TRI	Manufacturing cost, quality, speed, and flexibility
26	Konar & Cohen (2001)	TRI and environmental lawsuits	Accounting & market
27	Luck & Pilotte (1993)	KLD evaluation	Market
28	McGuire, Sundgren & Schneeweis (1988)	Fortune reputation rating	Accounting & market
29	Moskowitz (1972)	Observations of charitable contributions, consumer protection, disclosure, equal employment opportunity, human resource practices, South Africa operations, and urban renewal	Personal assessment
30	Nehrt (1996)	Timing and intensity of pollution-reducing technologies	Accounting
31	Newgren et al. (1985)	Survey of environmental practices	Market
32	Parke & Eilbirt (1975)	Survey on minority hiring and training, ecology, contributions to education and art	Accounting
33	Porter & van der Linde (1995)	Waste prevention practices	Accounting
34	Posnikoff (1997)	South Africa: divestment	Market
35	Preston (1978)	Disclosure of social performance	Accounting
36	Preston & O'Bannon (1997)	Fortune reputation rating	Accounting
37	Preston & Sapienza (1990)	Fortune reputation rating	Market
38	Reimann (1975)	Survey of attitudes toward national government, suppliers, consumers, community, stockholders, creditors, and employees	Organizational competence
39	Russo & Fouts (1997)	FRDC ratings of environmental practices	Accounting
40	Shane & Spicer (1983)	CEP evaluation	Market
41	Sharma & Vredenburg (1998)	Survey of environmental strategy	Operational improvement
42	Simerly (1994)	Fortune reputation rating	Accounting & market

Table 2.5 ...continued...

43	Simerly (1995)	Fortune reputation rating	Accounting
44	Spencer & Taylor (1987)	Fortune reputation rating	Accounting
45	Spicer (1978)	CEP evaluation	Accounting & market
46	Stevens (1984)	CEP evaluation	Market
47	Sturdivant & Ginter (1977)	Moskowitz ratings of social responsiveness	Accounting
48	Tichy, McGill & St. Clair (1997)	Fortune reputation rating	Accounting
49	Travers (1997)	Mutual fund screens	Market
50	Verschoor (1998)	Espoused commitment to ethics in annual report	Accounting & market
51	Verschoor (1999)	Explicit statement of an ethics code in annual report	Accounting & market
52	Waddock & Graves (1997)	KLD evaluation	Accounting
53	Wokutch & Spencer (1987)	Fortune reputation rating, charitable contributions, corporate crime	Accounting
54	Wright et al. (1995)	Awards from U.S. Dept. of Labor for exemplary equal employment opportunity	Market
Non-significant relationship			
55	Abbott & Monsen (1979)	Disclosure of social performance	Accounting
56	Alexander & Buchholz (1978)	Moskowitz ratings of social responsiveness	Market
57	Aupperle, Carroll & Hatfield (1985)	Survey of social responsibility practices and organizational structures	Accounting
58	Bowman (1978)	Disclosure of social performance	Accounting
59	Chen & Metcalf (1980)	CEP evaluation	Accounting & market
60	Fogler & Nutt (1975)	CEP evaluation	Market
61	Fombrun & Shanley (1990)	Fortune reputation rating	Accounting & market
62	Freedman & Jaggi (1982)	CEP evaluation	Accounting
63	Freedman & Jaggi (1986)	Disclosure of pollution	Market
64	Fry & Hock (1976)	Disclosure of social performance	Accounting
65	Greening (1995)	EIA reports on conservation practices	Accounting & market
66	Guerard (1997a)	KLD evaluation	Market
67	Hamilton, Jo & Statman (1993)	Mutual fund screens	Market
68	Hickman, Teets & Kohls (1999)	Mutual fund screens	Market
69	Hylton (1992)	Mutual fund screens	Market
70	Ingram & Frazier (1983)	Disclosure of environmental quality control	Accounting
71	Kurtz & DiBartolomeo (1996)	KLD evaluation	Market
72	Lashgari & Gant (1989)	South Africa: adherence to Sullivan principles	Accounting
73	Luther & Matatko (1994)	Mutual fund screens	Market
74	Mahapatra (1984)	Disclosure of capital expenditures on pollution control	Market
75	McWilliams & Siegel (1997)	Awards from U.S. Dept. of Labor for exemplary equal employment opportunity	Market
76	McWilliams & Siegel (2000)	KLD evaluation	Accounting
77	O'Neill, Saunders & McCarthy (1989)	Survey of directors' concern for social responsibility	Accounting
78	Patten (1990)	South Africa: announcement of signing of Sullivan principles	Market
79	Reyes & Grieb (1998)	Mutual fund screens	Market
80	Sauer (1997)	Mutual fund screens	Market
81	Teoh, Welch & Wazzan (1999)	South Africa: divestment	Market
82	Waddock & Graves (2000)	KLD evaluation	Accounting & market
Negative relationship			
83	Boyle, Higgins & Rhee (1997)	Compliance with Defense Industries Initiative	Market
84	Kahn, Lekander & Leimkuhler (1997)	Tobacco-free	Market
85	Meznar, Nigh & Kwok (1994)	South Africa: withdrawal	Market
86	Mueller (1991)	Mutual fund screens	Market
87	Teper (1992)	No alcohol, tobacco, gambling, defense contracts, or operations in South Africa; adherence to broad social guidelines	Market
88	Vance (1975)	Moskowitz ratings of social responsiveness	Market
89	Wright & Ferris (1997)	South Africa: divestment	Market
Mixed relationship			
90	Belkaoui & Karpik (1989)	Disclosure of social performance and Moskowitz ratings of social responsiveness	Accounting & market
91	Berman et al. (1999)	KLD evaluation	Accounting
92	Blackburn, Doran & Shrader (1994)	CEP evaluation	Accounting & market
93	Bowman & Haire (1975)	Disclosure of social performance	Accounting
94	Brown (1997)	Fortune reputation rating	Market
95	Cochran & Wood (1984)	Moskowitz ratings of social responsiveness	Accounting & market
96	Diltz (1995)	CEP evaluation	Market

Table 2.5 ...continued.

96	Diltz (1995)	CEP evaluation	Market
97	Graves & Waddock (1994)	KLD evaluation	Accounting
98	Gregory, Matatko & Luther (1997)	Mutual fund screens	Market
99	Guerard (1997b)	KLD evaluation	Market
100	Hillman & Keim (2001)	KLD evaluation	Market
101	Holman, New & Singer (1990)	Disclosure of social performance & capital expenditures on regulatory compliance	Market
102	Kedia & Kuntz (1981)	Interview and survey on charitable contributions, low income housing loans, minority enterprise loans, female corporate officers, and minority employment	Accounting & market share
103	Luther, Matatko & Corner (1992)	Mutual fund screens	Market
104	Mallin, Saadouni & Briston (1995)	Mutual fund screens	Market
105	Marcus & Goodman (1986)	Compliance with safety regulations	Capabilities & productive efficiency
106	McGuire, Schneeweis & Branch (1990)	Fortune reputation rating	Accounting & market
107	Ogden & Watson (1999)	Customer service complaints	Accounting & market
108	Pava & Krausz (1996)	CEP evaluation	Accounting & market
109	Rockness, Schlachter & Rockness (1986)	EPA and U.S. House of Representatives data on hazardous waste disposal	Accounting & market
Corporate social performance as dependent variable			
Positive relationship			
110	Brown & Perry (1994)	Fortune reputation rating	Accounting & market
111	Cottrill (1990)	Fortune reputation rating	Market share
112	Dooley & Lerner (1994)	TRI	Accounting
113	Fry, Keim & Meiners (1982)	Charitable contributions	Accounting
114	Galaskiewicz (1997)	Charitable contributions	Accounting
115	Konar & Cohen (1997)	TRI	Market
116	Lewy & Shatto (1980)	Charitable contributions	Accounting
117	Maddox & Siegfried (1980)	Charitable contributions	Accounting
118	Marcus & Goodman (1986)	Compliance with emissions regulations	Accounting
119	McGuire, Sundgren & Schneeweis (1988)	Fortune reputation rating	Accounting & market
120	Mills & Gardner (1984)	Disclosure of social performance	Accounting & market
121	Navarro (1988)	Charitable contributions	Accounting
122	Preston & O'Bannon (1997)	Fortune reputation rating	Accounting
123	Riahi-Belkaoui (1991)	Fortune reputation rating	Accounting & market
124	Roberts (1992)	CEP evaluation	Accounting & market
125	Waddock & Graves (1997)	KLD evaluation	Accounting
Non-significant relationship			
126	Buehler & Shetty (1976)	Organizational programs in consumer affairs, environmental affairs, urban affairs	Accounting
127	Cowen, Ferreri & Parker (1987)	Disclosure of social performance	Accounting
128	Patten (1991)	Disclosure of social performance	Accounting
Mixed relationship			
129	Johnson & Greening (1999)	KLD evaluation	Accounting
130	Lerner & Fryxell (1988)	CEP evaluation	Accounting & market
131	McGuire, Schneeweis & Branch (1990)	Fortune reputation rating	Accounting & market
			source: Margolis & Walsh, 2003
<p>* CEP = Council on Economic Priorities; EIA = Energy Information Association; EPA = Environmental Protection Agency; FRDC = Franklin Research & Development Corporation; IRRC = Investor Responsibility Research Center; KLD = Kinder, Lydenberg, Domini multidimensional rating; NACBS = National Affiliation of Concerned Business Students; OSHA = Occupational Safety and Health Administration; and TRI = Toxics Release Inventory.</p> <p>Four studies investigate the relationship in both directions but are counted as only one study: McGuire, Schneeweis & Branch (1990); McGuire, Sundgren & Schneeweis (1988); Preston & O'Bannon (1997); Waddock & Graves (1997). Marcus & Goodman (1986) contains two separate studies and is therefore counted twice.</p>			

Table 2.6 CSP – CFP relationships

Typologies for CSR-CFP Relationship - Based on Preston & O'Bannon (1997, p.422)

Causal sequence	Direction of relationship		
	Positive link	Neutral link	Negative link
CSR leads to CFP	Social impact hypothesis		Trade-off hypothesis
CFP leads to CSR	Available funds hypothesis or slack resources theory	Supply and demand theory of the firm	Managerial opportunism hypothesis
CSR and CFP are synergistic	Positive Synergy		Negative synergy

adapted from Salzmann *et al.* , 2005

Table 2.7 Control variables used in CSP-CFP studies

Control Variables and the Number of Studies Using Each	
none	19
industry	41
size	32
risk	12
leverage	7
advertising intensity	7
industry concentration	4
R&D intensity	4
firm growth rate	3
asset age	3
acid-test-ratio	2
managerial control of firm	2
CEO compensation	2
past financial performance	2
overall market performance	2

source: Margolis & Walsh, 2001

Table 2.8 Explanatory frameworks and theories for the CSP-CFP link

Frameworks Suggesting a <u>Positive</u> Link between CFP and CSR		
Framework	Description	Empirical evidence
<p>Social impact hypothesis (Cornell and Shapiro, 1987) Higher CSR leads to higher CFP</p>	<p>Meeting the needs of various non-owner stakeholders increases FP. Failure to meet less explicit needs of stakeholders generates market fears (i.e. affects company reputation), thus increasing a company's risk premium and affecting FP. Actual ESP costs are minimal compared to the potential benefits.</p>	<p>Pava and Krausz (1996) Preston and O'Bannon (1997)</p>
<p>Available funds hypothesis or slack resources theory (Waddock and Graves, 1997b) Higher CFP leads to higher CSR</p>	<p>Superior FP enables companies to devote more resources to ESP.</p>	<p>McGuire et al. (1988) Kraft and Hage (1990) partially Moore (2001)</p>
<p>Positive synergy: "Virtuous circle" (Waddock and Graves, 1997a)</p>	<p>Simultaneous relationship combining slack resources and good management Good management does most things well, including both ESP and FP. Good management and good ESP are synonymous when ESP is defined in terms of the stakeholder relationships considered important to the firm's performance and not in terms of discretionary activities, e.g. philanthropy.</p>	<p>Empirically supported by Preston and O'Bannon (1997) Pava and Krausz (1996) Stanwick and Stanwick (1998)</p>
Frameworks Suggesting a <u>Neutral</u> Link between CFP and CSR		
Framework	Description	Empirical evidence
<p>Supply and demand theory of the firm (McWilliams and Siegel, 2001) No link between CSR and CFP</p>	<p>Companies supply a demanded and unique level of ESP to maximize their profits.</p>	<p>Some studies found no or inconclusive correlations (Anderson and Frankle, 1980; Aupperle et al., 1985; Freedman and Jaggi, 1982)</p>
Frameworks Suggesting a <u>Negative</u> Link between CFP and CSR		
Framework	Description	Empirical evidence
<p>Trade-off hypothesis (Friedman, 1962) Higher CSR leads to lower CFP</p>	<p>Reflects Friedman's neoclassical argument that firms have only one social responsibility, which is to increase profits. By increasing ESP, they unnecessarily incur costs and reduce their profitability.</p>	<p>Vance (1975)</p>
<p>Managerial opportunism hypothesis (Preston & O'Bannon, 1997) Higher CFP leads to lower CSR</p>	<p>Managers will reduce expenditure on ESP when FP is strong to maximize personal compensation (which is tied to short-term FP).</p>	<p>Posner & Schmidt (1992) Alkhafaji (1989)</p>
<p>Negative synergy (Preston & O'Bannon, 1997)</p>	<p>Simultaneous relationship combining trade-off and managerial opportunism hypothesis</p>	

adapted from Salzmann *et al.*, 2005

Table 2.9 Most important characteristics of jobs for job seekers, study findings

Overall Attribute Importance Results (N=279)

Attributes	Average Importance Score	S. D. of Importance Score	Average Rank
Group 1			
Intellectual Challenge	9.38	2.80	3.76
Group 2			
Financial Package	7.36	2.31	6.42
Group 3			
Geographic Area	6.70	3.10	7.75
People in Organisation	6.46	2.97	7.86
Caring about Employees	6.40	2.33	7.76
Learning on Job	6.33	2.66	8.32
Type of Position	6.31	3.37	8.29
Group 4			
Advancement	5.71	2.28	9.21
Ethical Reputation	5.69	3.21	9.32
Dynamics & Culture	5.42	2.57	9.79
Environmental Sustainability	5.40	2.65	9.72
Business Travel	5.38	2.70	9.82
Group 5			
Work Environment	4.97	2.23	10.54
Community Relationships	4.88	2.29	10.54
Economic Sustainability	4.66	2.29	11.04
Leangth of Communte	4.66	2.40	10.97
Image of Organisation	4.38	2.54	11.55

source: Montgomery, 2003

Table 2.10 Company characteristics for which applicants are willing to forego financial benefits, study findings

Willingness to Forgo Financial Benefits (WFFB)

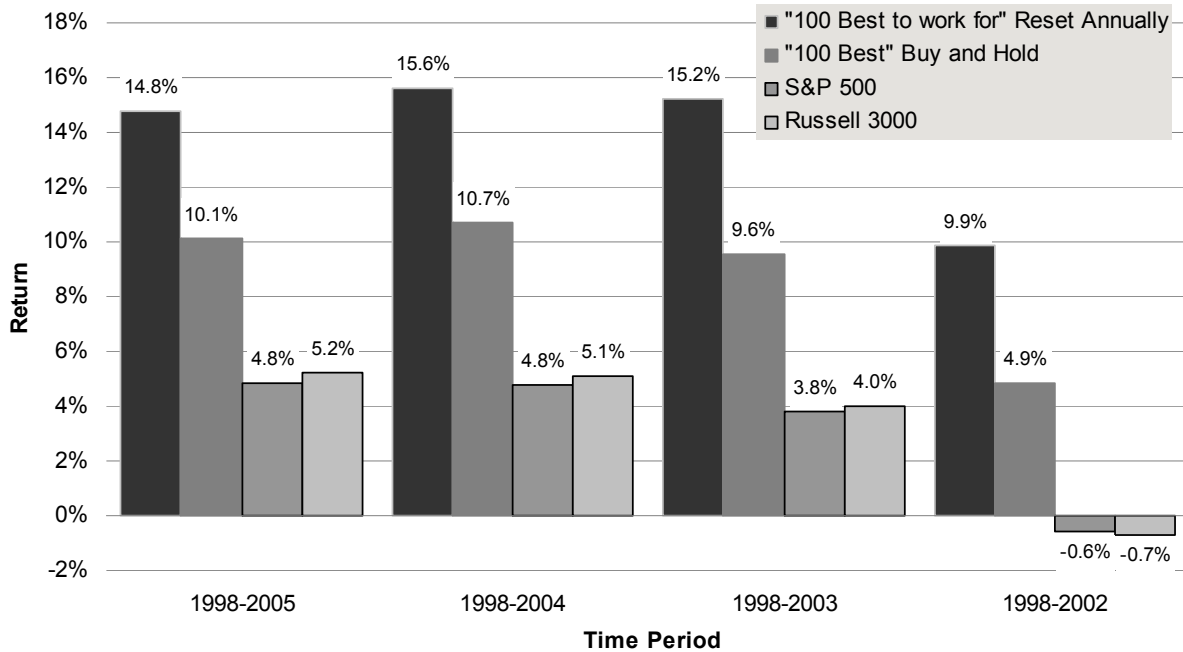
Job Search Parameters	Mean & S. D. of WFFB	% Willing to Forgo Income (>0)	Mean WFFB as % of Mean Expected Financial Benefits (\$115,00)
WFFB for companies which care about employees	\$9,300 (7,200)	90.30%	8.10%
WFFB for companies which care about stakeholders	\$ 3,700 (4,100)	70.80%	3.20%
WFFB for companies which care about sustainability	\$ 5,500 (6,000)	76.90%	4.80%
WFFB for companies which exhibit all three above characteristics	\$ 13,700 (9,600)	94.20%	11.90%

source: Montgomery, 2003

Chart 2.11 Fortune "100 Best Companies to work for" vs. Stock Market

Independent financial analysts have studied the financial performance of "100 Best" companies beginning with the publication of the book, *The 100 Best Companies to Work For in America* (by Robert Levering and Milton Moskowitz, 1984 and 1993), and on an ongoing basis to accompany each of the "100 Best Companies" lists with Fortune since their inception in 1998. Using various profitability indicators, this data illustrates the extent to which the publicly traded 100 Best Companies consistently outperform major stock indices over the ten year periods preceding the publication of the 100 Best lists!

Fortune "100 Best" vs. Stock Market 1998-2005, 1998-2004, 1998-2003, 1998-2002



Source: Frank Russell Company © Great Place to Work® Institute, Inc

Source: Frank Russell Company © Great Place to Work® Institute, Inc. The "Reset Annually" portfolio invests equal dollar amounts (at the beginning of 1998) in the stock of each of the 1998 "100 Best" publicly traded companies. The portfolio is liquidated at the end of 1998 and the proceeds invested in the 1999 list by buying equal dollar amounts of each publicly traded firm on the 1999 list. This process of liquidating the portfolio at the end of the year and using the proceeds to invest in the new list of "100 Best" is repeated for all years covered in the charts. The "Buy & Hold" Portfolio invests equal dollar amounts (at the beginning of 1998) in the stock of each of the 1998 "100 Best" publicly traded companies and holds these stocks for all years covered in the charts.

Appendix 3 KLD ratings criteria etc.

Text 3.1 Rating Companies Profiles

EIRIS, UK

EIRIS is the UK's oldest and largest specialist SRI-research company and they assess corporate activity in many areas. These cover both negative screening and, to a growing extent, also positive criteria with gradings of corporate performance. Later in 2001 they will introduce set of gradings for corporate environmental performance supplementing the existing evaluation of environmental management, policy and reporting. EIRIS has developed a software product, Ethical Portfolio Manager, that provides users with online access to its extensive database on 850 UK and 500 European companies. The services will be expanded to cover also the US, Asia-Pacific and Australasia before the end of this year.

EIRIS supply SRI-information to many fundmanagers and rating organisations, including the newly started FTSE4Good family of indices. The screening process is mainly based on official company information and information collected through questionnaires. Direct contacts with the companies being evaluated are less frequent.

KLD (Kinder Lydenberg Domini), US

KLD is a US-based provider of social research for institutional investors who wish to integrate social criteria into their investment decisions. KLD has developed performance benchmarks for socially screened portfolios, e.g. the Domini 400 Social Index which was launched in 1990. KLD has also developed Socrates, a social investment database containing data on over 1600 companies. This includes profiles on over 3000 US corporations, including every company on the Standard & Poor's 500 index, Russell 1000 and Russell 3000 indices. The social rating criteria are divided into two categories; social issues and industry involvement issues.

- social issues analyze the impact of corporate behaviour on the environment and on stakeholders, including communities, employees, customers and suppliers.
- Industry involvement issues identify companies that produce goods or services in specific markets of interest to social investors, e.g. involved in the production of tobacco, alcoholic beverages and weapons. On these issues, companies are designated as either involved or not.

KLD presents its social research in two formats: Company Profiles and Industry Involvement Reports. The profiles contain ratings and analysis of each company focusing on strengths and concerns in the following areas; community, diversity, employee relations, environment, non-US operations and products. The evaluation of environmental performance is risk-oriented.

Source: Mistra, 2001

Text 3.2 Methodology: KLD's proprietary disciplined research process

KLD's Research Process

KLD researches the social, environmental, and governance performance of corporations. KLD research relies on five distinct data sources to inform our ratings and analysis. Data are collected in a disciplined process from a wide variety of company, government, non-government organization and media sources. KLD tracks each company through more than 10,000 global media sources daily.



Rating Approach

Once the information is collected, KLD rates the social, environmental and governance performance of companies using a proprietary framework of positive and negative indicators.

Companies are rated in seven major qualitative issue areas: Environment, Community, Corporate Governance, Diversity, Employee Relations, Human Rights and Product Quality and Safety. Analysts assign Strengths and Concerns associated with these issues, providing a social and environmental profile of companies. The business involvement screens are associated with activities that are controversial to certain social investors.

KLD analysts specialize by sector. This improves the quality of analysis, improving sector insight to identify the key social, environmental and governance factors affecting peer companies.

Monitoring and Updating Process

KLD uses three processes to maintain the accuracy and currency of its research:

- Continuous updates: daily updates from media sources and special updates from NGOs and government data sources
- Fiscal year updates: annual updates from company public documents
- Annual updates: a comprehensive annual review that includes analysis of all information gathered throughout the year, review of company websites and CSR reports, and direct communication with the company, NGOs, and research partners.

Quality Assurance

KLD senior analysts perform a quality review of every company profile at least once per year, edit daily updates for content and ratings quality, and mentor junior analysts. KLD's Ratings Review Committee (RRC), composed of senior analysts and the Director of Research reviews controversial questions, maintains the currency of existing ratings, and develops new ratings as thought leaders for the business. KLD evaluates its methodology each year, using the experience of rating companies since 1988.

Table 3.3 KLD ratings criteria list

KLD Research 2006 Company Profile Ratings Grid

Issues	Strengths	Concerns
Community	Charitable Giving Innovative Giving Non-US Charitable Giving Support for Education Support for Housing Volunteer Programs Other Strengths	Investment Controversies Negative Economic Impact Tax Disputes Other Concerns
Corporate Governance	Compensation Ownership Political Accountability Transparency Other Strengths	Compensation Ownership Political Accountability Transparency Accounting Other Concerns
Diversity	Board of Directors CEO Employment of the Disabled Gay & Lesbian Policies Promotion Women & Minority Contracting Work/Life Benefits Other Strengths	Controversies Non-Representation Other Concerns
Employee Relations	Health and Safety Retirement Benefits Union Relations Cash Profit Sharing Employee Involvement Other Strengths	Union Relations Health and Safety Retirement Benefits Workforce Reductions Other Concerns
Environment	Beneficial Products & Services Clean Energy Management Systems Pollution Prevention Recycling Other Strengths	Agricultural Chemicals Climate Change Hazardous Waste Ozone Depleting Chemicals Regulatory Problems Substantial Emissions Other Concerns
Human Rights	Labor Rights Relations with Indigenous Peoples Other Strengths	Labor Rights Relations with Indigenous Peoples Burma Other Concerns
Product	Benefits Economically Disadvantaged Quali R&D/Innovation Other Strengths	Antitrust Marketing/Contracting Controversies Safety Other Concerns

source: KLD, 2006

Table 3.3 ...continued.

KLD Research 2006 Company Profile Controversial Business Issues

Issues	Involvement Type
Adult Entertainment	Distributor Owner and Operator Producer Provider Ownership by an Adult Entertainment Company Ownership of an Adult Entertainment Company
Alcohol	Licensing Manufacturer Manufacturer of Products Necessary for Alcoholic Beverages Retailer Ownership by an Alcohol Company Ownership of an Alcohol Company
Firearms	Manufacturer Retailer Ownership by a Firearms Company Ownership of a Firearms Company
Gambling	Licensing Manufacturer Owner and Operator Supporting Products or Services Ownership by a Gambling Company Ownership of a Gambling Company
Military Weapons	Manufacturer of Weapons or Weapons Systems Manufacturer of Components for Weapons or Weapons Systems Ownership by a Military Company Ownership of a Military Company
Nuclear Power	Ownership of Nuclear Power Plants Construction & Design of Nuclear Power Plants Nuclear Fuel & Key Parts Nuclear Power Service Provider Ownership by a Nuclear Power Company Ownership of a Nuclear Power Company
Tobacco	Licensing Manufacturer Manufacturer of Products Necessary for Tobacco Products Retailer Ownership by a Tobacco Company Ownership of a Tobacco Company

source: KLD, 2006

Text 3.4 KLD Ratings Criteria, descriptions

Community

STRENGTHS

Charitable Giving. The company has been exceptionally generous in its giving.

Innovative Giving. The company has an innovative giving program that supports nonprofit organizations, particularly those promoting self-sufficiency among the economically disadvantaged.

Non-US Charitable Giving. The company has innovative giving programs outside of the U.S., or dedicates a significant percentage of its overall charitable giving to programs outside of the U.S.

Support for Education. The company is either a leader in its support for primary or secondary public school education, or the company has offered significant support for youth job-training programs.

Support for Housing. The company is a prominent participant in public/private partnerships that support housing initiatives for the economically disadvantaged.

Volunteer Programs. The company has an exceptionally strong employee volunteer program.

Other Strengths. The company has either an exceptionally strong in-kind giving program or engages in other positive community activities not covered by other KLD ratings.

CONCERNS

Investment Controversies. The company's lending or investment practices are controversial.

Negative Economic Impact. The company's actions have resulted in major controversies concerning the quality of life, tax base, or property values in the community.

Tax Disputes. The company has recently been involved in major tax disputes involving Federal, state, local or non-U.S. government authorities, or is involved in controversies over its tax obligations to the community.

Other Concerns. The company is involved in a community controversy not covered by other KLD ratings.

Corporate Governance

STRENGTHS

Compensation. The company pays a low level of compensation to its CEO or its board members.

Ownership. The company owns between 20% and 50% of another firm that has a positive environmental, social or governance record, or a firm with a positive environmental, social or governance record owns 20% or more of the company.

Political Accountability. The company has shown markedly responsible leadership on public policy issues and/or has an exceptional record of transparency and accountability concerning its political involvement in state or federal-level U.S. politics, or in non-U.S. politics.

Transparency. The company is particularly effective in reporting on a wide range of social and environmental performance measures, or is exceptional in reporting on one particular measure.

Other Strengths. The company has a unique and positive corporate culture, or has undertaken a noteworthy corporate governance initiative not covered by KLD's other ratings.

CONCERNS

Compensation. The company pays a high level of compensation to its CEO or its board members.

Ownership. The company owns between 20% and 50% of another firm that has a negative environmental, social or governance record, or a firm with a negative environmental, social or governance record owns 20% or more of the company.

Political Accountability. The company has been involved in noteworthy controversies on public policy issues and/or has a very poor record of transparency and accountability concerning its political involvement in state or federal-level U.S. politics, or in non-U.S. politics.

Transparency. The company is distinctly weak in reporting on a wide range of social and environmental performance measures.

Accounting. The company is involved in significant accounting-related controversies.

Other Concerns. The company is involved with a corporate governance controversy not covered by other KLD ratings.

Diversity

STRENGTHS

Board of Directors. Women and/or minorities hold a significant proportion of the seats on the company's board of directors.

CEO. The company's chief executive officer is a woman or a member of a minority group.

Employment of the Disabled. The company has innovative hiring or other human resource programs for the disabled, or it has a superior reputation as an employer of the disabled.

Gay & Lesbian Policies. The company has progressive policies toward its gay and lesbian employees.

Promotion. The company has made substantive progress in the promotion of women and/or minorities to senior executive line positions.

Women & Minority Contracting. The company has a strong record of purchasing and/or contracting with businesses owned by women or minorities.

Work/Life Benefits. The company has outstanding programs addressing employee work/life concerns.

Other Strengths. The company has made a notable commitment to diversity that is not covered by other KLD ratings.

CONCERNS

Controversies. The company has either paid substantial fines or civil penalties as a result of diversity-related controversies, or has been involved in other major diversity-related controversies.

Non-Representation. The company has no women on its board of directors or among its senior line executives.

Other Concerns. The company is involved in diversity controversies not covered by other KLD ratings.

Employee Relations

STRENGTHS

Health and Safety. The company has strong health and safety programs.

Retirement Benefits. The company has a strong retirement benefits program.

Union Relations. The company has taken exceptional steps to treat its unionized workforce fairly.

Cash Profit Sharing. The company has a cash profit-sharing program through which it has recently made distributions to a majority of its workforce.

Employee Involvement. The company strongly encourages employee involvement through active participation in management decision-making, and/or through ownership in the company by granting stock options to a majority of its employees.

Other Strengths. The company has strong employee relations initiatives not covered by other KLD ratings.

CONCERNS

Union Relations. The company has a history of notably poor union relations.

Health and Safety. The company recently has either paid substantial fines or civil penalties for willful violations of employee health and safety standards, or it has been otherwise involved in major health and safety controversies.

Retirement Benefits. The company has either a substantially under funded defined benefit pension plan, or an otherwise inadequate retirement benefits program.

Workforce Reductions. The company has made significant reductions in its workforce in recent years.

Other Concerns. The company is involved in an employee relations controversy that is not covered by other KLD ratings.

Environment

STRENGTHS

Beneficial Products & Services. The company derives substantial revenues from the development of innovative products with environmental benefits, including remediation products, environmental services, or products that promote the efficient use of energy.

Clean Energy. The company has taken significant measures to reduce the contributions of its operations to global climate change and air pollution through the use of renewable energy, other clean fuels, or through the introduction of energy efficient programs or sale of products promoting energy efficiency.

Management Systems. The company has demonstrated a superior commitment to management systems through ISO 14001 certification and other voluntary programs.

Pollution Prevention. The company has strong pollution prevention programs, including both emissions and toxic-use reduction programs.

Recycling. The company is either a substantial user of recycled materials in its manufacturing processes, or a major firm in the recycling industry.

Other Strengths. The company has undertaken noteworthy environmental initiatives not covered by other KLD ratings.

CONCERNS

Agricultural Chemicals. The company is a substantial producer of agricultural chemicals, including pesticides.

Climate Change. The company derives substantial revenues, directly or indirectly, from the sale of coal or oil and its derivative fuel products.

Hazardous Waste. The company has substantial liabilities for hazardous waste, or has recently paid significant fines or civil penalties for waste management violations.

Ozone Depleting Chemicals. The company manufactures ozone depleting chemicals such as HCFCs, methyl chloroform, methylene chloride, or bromines.

Regulatory Problems. The company has recently paid substantial fines or civil penalties for, or it has a pattern of controversies regarding, violations of air, water, or other environmental regulations.

Substantial Emissions. The company's emissions of toxic chemicals into the air and water from individual plants are notably high.

Other Concerns. The company has been involved in an environmental controversy not covered by other KLD ratings.

Product

STRENGTHS

Benefits to Economically Disadvantaged. The company has as part of its basic mission the provision of products or services for the economically disadvantaged.

Quality. The company has a long-term, well-developed, company-wide quality program, or it has a quality program widely recognized as exceptional.

R&D/Innovation. The company leads its industry in the research and development of innovative products.

Other Strengths. The company's products have social benefits that are highly unusual or unique for its industry and not covered by other KLD ratings.

CONCERNS

Antitrust. The company has recently paid substantial fines or civil penalties for antitrust violations such as price fixing, collusion, or predatory pricing, or is involved in major controversies or regulatory actions related to antitrust allegations.

Marketing/Contracting Controversy. The company has either been involved in a major marketing or contracting controversy, or has paid a substantial fine or civil penalty relating to advertising practices, consumer fraud, or government contracting.

Safety. The company has either paid substantial fines or civil penalties, or is involved in a major recent controversy or regulatory action, relating to the safety of its products or services.

Other Concerns. The company has major controversies with its franchises, is an electric utility with nuclear safety problems, defective product issues, or is involved in other product-related controversies not covered by other KLD ratings.

Human Rights

STRENGTHS

Labor Rights. The company has undertaken outstanding or innovative initiatives primarily related to labor rights in its supply chain, or has particularly good union relations outside the U.S.

Relations with Indigenous Peoples. The company has established relations with indigenous peoples near its proposed or current operations (either in or outside the U.S.) that respect their sovereignty, land, culture, human rights, and intellectual property.

Other Strengths. The company has undertaken exceptional human rights initiatives not covered by other KLD ratings.

CONCERNS

Labor Rights. The company's operations have had major recent controversies primarily related to labor standards in its supply chain.

Relations with Indigenous Peoples. The company has been involved in serious controversies with indigenous peoples (either in or outside the U.S.) that indicate the company has not respected their sovereignty, land, culture, human rights, and/or intellectual property.

Burma. The company has operations or direct investment in, or sourcing from, Burma.

Other Concerns. The company's operations have been the subject of major recent human rights controversies not covered by other KLD ratings.

Other Issues are (negative score only if involvement present): Adult Entertainment, Alcohol, Firearms, Gambling, Military Weapons, Nuclear Power, Tobacco

Table 3.5 Two examples of KLD company CSP rating

Wal-Mart Stores, Inc. (WMT)

Issues	Strengths	Concerns	Score
Community	Charitable Giving	Negative Economic Impact Other Concerns	
	1	-2	-1
Corporate Governance		Controversies Other Concerns	
	0	-2	-2
Diversity	Board of Directors Employment of the Disabled Promotion Women & Minority Contracting	Controversies Other Concerns	
	5	-2	3
Employee Relations		Union Relations Health & Safety Other Concerns	
	0	-3	-3
Environment		Regulatory Problems	
	0	-1	-1
Human Rights		Labour Rights	
	0	-1	-1
Product		Marketing/Contracting Safety Other Concerns	
	0	-3	-3

source: KLD, 2006

Merck & Co., Inc

Issues	Strengths	Concerns
Community	Non-US Charitable Giving Support for Education	
Corporate Governance		High Compensation Tax Disputes Other Concern
Diversity	Promotion Family Benefits Gay & Lesbian Policies	Controversies
Employee Relations	Other Strength	
Environment		Regulatory Problems Substantial Emissions Hazardous Waste
Human Rights		
Product	R&D/Innovation Other Strength	Product Safety Marketing/Contracting

source: KLD, 2006

Text 3.6 CSRR-OS Standards

Corporate Sustainability and Responsibility Research Quality Standard (CSRR-QS 1.0)

The voluntary Corporate Sustainability and Responsibility Research Quality Standard (CSRR-QS 1.0) has recently been launched.

It is the first quality standard worked out at a sector level in the field of Corporate Social Responsibility (CSR) and corporate environmental research and analysis. The standard aims to improve quality management systems, stimulate transparency, facilitate assurance processes and form the basis for further verification procedures. The standard sets out the following ten criteria for the assessment of companies:

- sources must be independent, not just information supplied by companies;
- global activities of companies must be taken into account;
- best available techniques (BAT) should be used rather than minimum legal requirements;
- environmental and social aspects must be taken into account;
- a suitable balance must be found between environmental and social, quantitative and qualitative data sources
- content must be relevant;
- information must be comparable to others;
- stakeholders should be involved in the process as much as possible;
- information must be up to date;
- there should be transparency about methods.
- (Information is available from www.csrr-qs.org)

The CSRR-QS 1.0 was initiated, supported and funded by the European Commission, Employment and Social Affairs. Partners and signatories of the quality standard represent many parties with vested interests in the sector, including Avanzi, SERM, Ethibel and oekom research. The involvement of these companies reflects their recognition of the need to improve quality and credibility. It is difficult to make informed judgements regarding the success of this quality standard before we can review the results of the pilot. A recent spin-off of the CSRR-QS 1.0 is the launch of a new trade association, the Association for Independent Corporate Sustainability and Responsibility Research (AI CSRR). One of the main objectives of this association is to develop, promote and maintain professional standards, expertise and codes of conduct for the CSRR sector.

Source: Vivian et al, 2004

Appendix 4 Analysis & Calculations

Chart 4.1 Composition of the S&P and the 'MBA ideal' sample by Industry

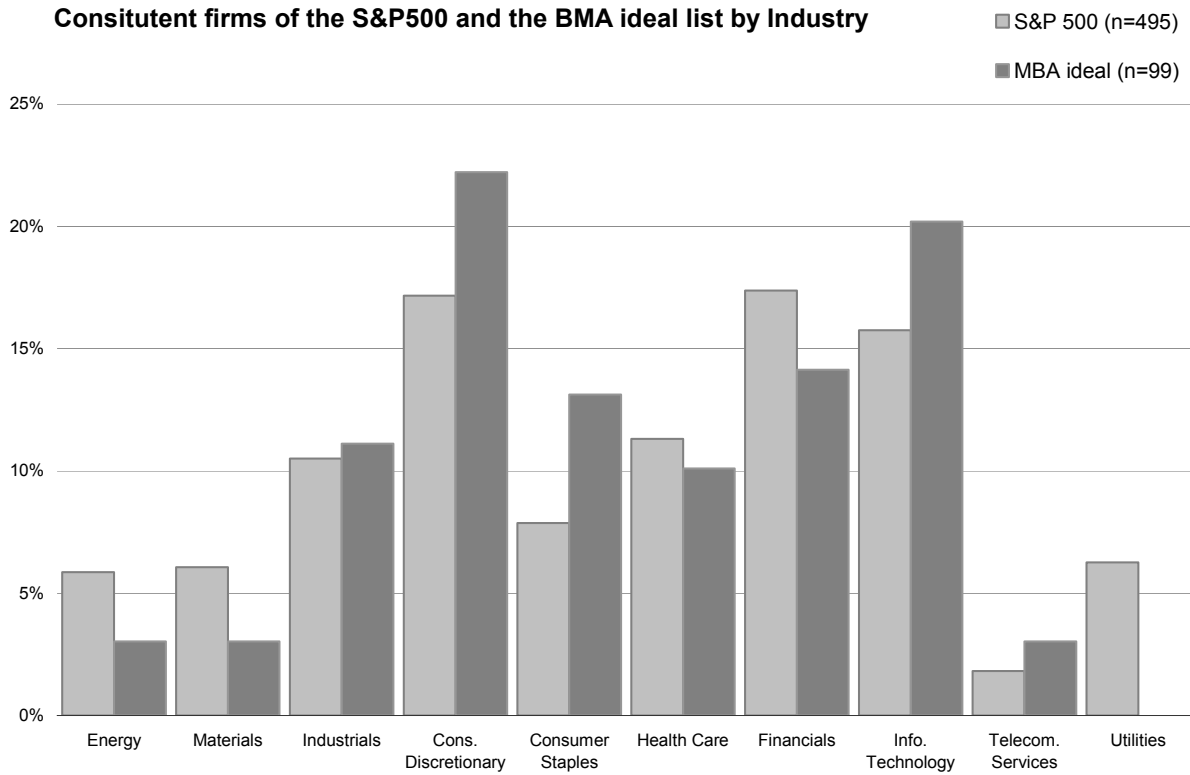


Chart 4.2 MBAs' favourite employers by Industry

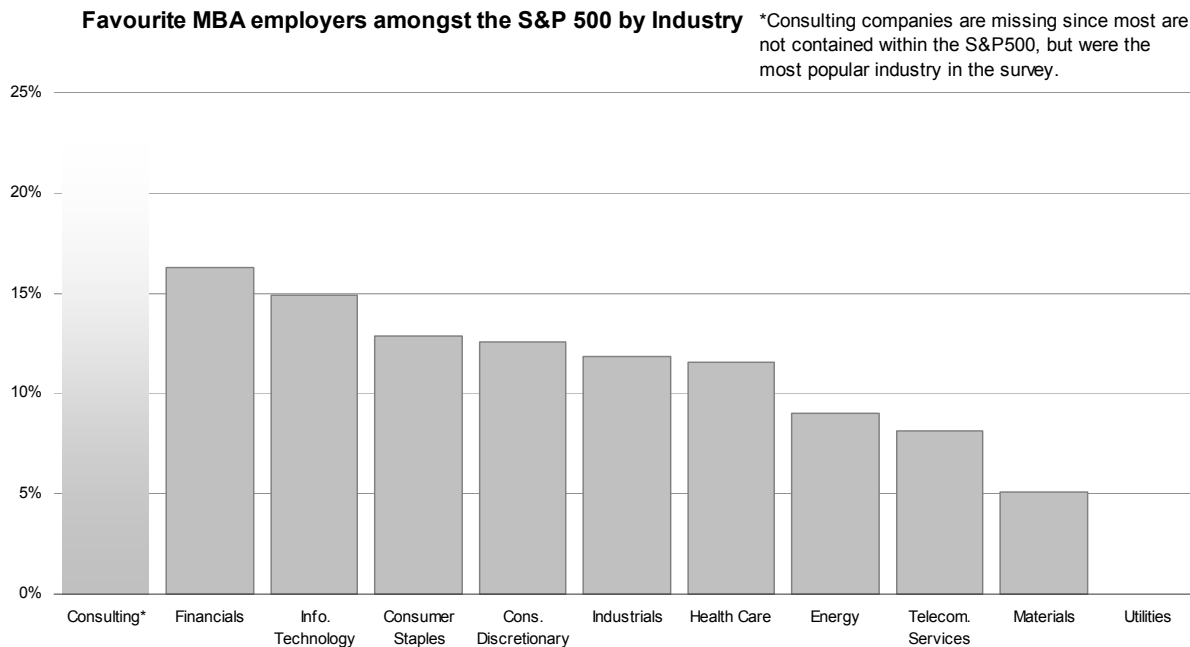


Table 4.3 Comparison of results Turban & Greening (1997) and this study

Turban and Greening, 1997, Correlation and Descriptive Statistics

Variable	Mean	s.d.	1 Com	2 Emp	3 Env	4 Prod	5 Div	6 Asst	7 ROA	8 Rep	9 Att
Corporate Social Performance											
1. Community relations	0.67	0.82									
2. Employee relations	0.07	1.02	0.40								
3. Environment	-0.38	0.85	0.26	0.21							
4. Product quality	-0.35	0.95	0.00	0.18	0.30						
5. Treatment of women and minorities	0.55	0.94	0.48	0.31	0.18	-0.10					
Control Variables (S&P Compustat)											
6. Assets (<i>Total Assets</i>)	25,415.00	42,910.00	0.22	0.02	-0.01	-0.19	0.31				
7. Profitability (<i>ROA</i>)	0.04	0.05	0.16	0.14	-0.02	-0.07	0.11	0.00			
Reputation and attractiveness											
8. Corporate reputation	3.85	0.36	0.16	0.20	0.21	0.16	0.15	-0.05	0.25		
9. Attractiveness as an employer	3.59	0.41	0.22	0.25	0.06	0.16	0.13	0.13	0.23	0.75	

values for n ranged from 155 to 171
 * p < 0.05
 ** p < 0.01

MSc Dissertation, 2006, Correlation and Descriptive Statistics

Variable	Mean	s.d.	1 Com	2 Emp	3 Env	4 Prod	5 Div	6 Asst	7 ROA	8 Rep	9 Att
Corporate Social Performance (KLD, 2006)											
1. Community relations	0.22	-0.95									
2. Employee relations	-0.11	1.21	0.10								
3. Environment	-0.15	1.12	0.25	0.09							
4. Product quality	-0.57	1.00	-0.76	0.18	0.14						
5. Treatment of women and minorities	1.37	1.59	0.38	0.13	0.15	-0.16					
Control Variables (S&P Compustat)											
6. Assets (<i>Total Assets</i>)	47,482.33	143,968.15	0.37	0.06	-0.00	-0.27	0.25				
7. Profitability (<i>ROA</i>)	0.07	0.07	-0.06	0.14	0.02	0.14	-0.02	-0.19			
Reputation and attractiveness (MBA ideal)											
8. n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
9. Attractiveness as an employer	0.02	0.03	0.20	0.20	0.18	-0.13	0.27	0.42	0.05	n/a	

values for n ranged from 495 to 99
 * p < 0.05
 ** p < 0.01

Table 4.4 Results of Regression Analysis predicting Employer Attractiveness

Predictors	Employer Attractiveness		Predictors	Employer Attractiveness	
	β	Change in r^2		β	Change in r^2
1. Control variables		0.30 **	1. Control variables		0.30 **
Assets	0.41 **		Assets	0.41 **	
Profitability (ROA)	0.35 **		Profitability (ROA)	0.35 **	
Industry Salary	0.30 **		Industry Salary	0.30 **	
2. Composite CSP score		0.04 *	2. Composite CSP score		0.05
Total Raw	0.21 *		Total weighted	0.23	
Total r^2		0.34 **	Total r^2		0.37 **

Predictors	Employer Attractiveness		Predictors	Employer Attractiveness	
	β	Change in r^2		β	Change in r^2
1. Control variables		0.30 **	1. Control variables		0.30 **
Assets	0.41 **		Assets	0.41 **	
Profitability (ROA)	0.35 **		Profitability (ROA)	0.35 **	
Industry Salary	0.30 **		Industry Salary	0.30 **	
2. Composite CSP score		0.03 *	2. Composite CSP score		0.04
z-score	0.18 *		z-score weighted	0.21 *	
Total r^2		0.35 **	Total r^2		0.37 **

* p < 0.05
 ** p < 0.01
 n.b.: standardised coefficients for the full model are shown.

Table 4.5 CSP dimensions' (subjective) weighting used for this study

CSP Dimension	Weighting (%)
employee	25
environment	20
product	15
diversity	15
community	15
<i>human rights</i>	5
<i>corporate governance</i>	5
nuclear power	-5
military	-5
alcohol	-5
tobacco	-5
gambling	-5

Table 4.6 Average KLD ratings and z-scores for S&P500 and 'MBA ideal' sample, by industry

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X
1	GIS sector code	Sample n	GIS sector name	Measure	Community	Community z-score	Diversity	Diversity z-score	Employees	Employee z-score	Environment	Environment z-score	Human Rights	Human Rights z-score	Product	Product z-score	Corp. Gov.	Corp. Gov. z-score	Total Strengths	Total Concerns	Total	Total Weighted	average z-score	weighted z-score
2	10	S&P 500 29	Energy	Average S.D.	-0.62 0.62	-0.88 0.65	0.10 0.98	-0.80 0.62	-0.10 1.35	0.00 1.12	-1.34 1.63	-1.07 1.46	-0.52 0.87	-0.90 2.09	-0.21 0.62	0.37 0.62	-0.55 0.87	0.01 1.05	2.21 2.11	5.45 3.63	-3.24 2.44	-0.46 0.43	-0.47 0.46	-0.45 0.42
		MBA ideal 3		Average S.D.	-0.33 0.58	-0.58 0.61	1.33 1.53	-0.02 0.96	-0.67 1.53	-0.47 0.48	-4.33 0.58	-3.74 0.48	-2.00 1.00	-4.45 2.40	-0.67 0.58	-0.09 0.58	-1.67 1.15	-1.33 1.39	6.00 3.61	14.33 3.06	-8.33 2.08	-1.17 0.41	-1.53 0.04	-1.26 0.24
3	15	S&P 500 30	Materials	Average S.D.	0.17 0.87	-0.05 0.92	1.03 1.27	-0.21 0.80	-0.07 1.05	0.03 0.87	-0.50 1.53	-0.32 1.36	-0.23 0.57	-0.22 1.36	-0.40 0.89	0.17 0.90	-0.20 0.81	0.43 0.97	4.47 3.36	4.80 3.18	-0.33 3.24	-0.03 0.57	-0.02 0.46	-0.06 0.51
		MBA ideal 3		Average S.D.	0.00 1.00	-0.23 1.05	2.00 1.00	0.40 0.63	1.00 1.00	0.92 0.83	-0.67 1.15	-0.46 1.03	0.00 0.00	0.34 0.00	-1.33 1.15	-0.76 1.16	0.33 0.58	1.07 0.69	7.67 2.31	6.33 4.51	1.33 2.89	0.23 0.55	0.18 0.43	0.12 0.54
4	20	S&P 500 52	Industrials	Average S.D.	-0.16 0.66	-0.39 0.69	0.84 1.53	-0.33 0.96	-0.25 1.37	-0.12 1.13	-0.16 1.19	-0.01 1.06	-0.10 0.30	0.10 0.71	-0.41 0.72	0.16 0.72	-0.57 0.73	-0.01 0.87	3.49 3.31	4.73 2.99	-1.24 3.27	-0.11 0.58	-0.09 0.41	-0.13 0.49
		MBA ideal 11		Average S.D.	0.18 0.75	-0.04 0.79	2.18 1.60	0.51 1.01	0.73 1.74	0.69 1.44	-0.73 1.19	-0.52 1.06	-0.09 0.30	0.12 0.72	-0.36 0.81	0.21 0.81	-0.82 0.75	-0.31 0.90	7.73 3.61	7.45 3.98	0.27 4.20	0.25 0.69	0.10 0.50	0.12 0.59
5	25	S&P 500 85	Cons. Discretionary	Average S.D.	0.29 0.99	0.08 1.03	1.40 1.63	0.02 1.03	-0.44 1.28	-0.27 1.06	0.00 0.71	0.13 0.63	-0.21 0.44	-0.17 1.05	-0.54 0.93	0.03 0.93	-0.54 0.89	0.02 1.07	3.40 3.45	3.60 2.53	-0.20 3.21	0.02 0.54	-0.02 0.42	-0.04 0.45
		MBA ideal 22		Average S.D.	0.77 1.27	0.58 1.33	2.14 1.67	0.48 1.05	-0.45 1.10	-0.29 0.91	0.36 1.05	0.46 0.94	-0.27 0.46	-0.31 1.09	-0.64 0.95	-0.06 0.95	-0.45 0.74	0.13 0.89	5.64 4.81	4.36 3.22	1.27 3.81	0.25 0.63	0.14 0.54	0.15 0.55
6	30	S&P 500 39	Cons. Staples	Average S.D.	0.21 0.80	-0.01 0.84	2.05 1.62	0.43 1.02	-0.72 1.36	-0.51 1.12	-0.15 0.93	-0.01 0.83	-0.15 0.43	-0.03 1.03	-0.85 1.33	-0.27 1.33	-0.51 1.00	0.06 1.20	4.18 2.91	4.64 3.64	-0.46 4.36	-0.05 0.69	-0.05 0.58	-0.12 0.60
		MBA ideal 13		Average S.D.	0.08 0.95	-0.15 1.00	2.77 1.92	0.88 1.21	-0.46 1.39	-0.30 1.15	-0.46 1.05	-0.28 0.94	-0.15 0.55	-0.03 1.33	-0.54 1.39	0.04 1.39	-0.62 1.26	-0.07 1.52	6.23 3.17	5.92 4.61	0.31 5.69	0.08 0.89	0.01 0.78	-0.03 0.78
7	35	S&P 500 56	Health Care	Average S.D.	0.29 0.85	0.07 0.89	1.50 1.43	0.08 0.90	-0.05 0.88	0.04 0.73	0.13 0.79	0.24 0.70	-0.02 0.13	0.30 0.32	-1.11 1.23	-0.53 1.23	-0.64 0.84	-0.10 1.01	3.25 3.47	3.16 2.35	0.09 2.66	0.08 0.42	0.01 0.34	0.01 0.36
		MBA ideal 10		Average S.D.	1.20 1.14	1.03 1.19	3.20 1.40	1.15 0.88	0.00 1.15	0.09 0.96	-0.10 1.52	0.04 1.36	-0.10 0.32	0.10 0.76	-1.60 1.51	-1.03 1.51	-0.40 0.70	0.19 0.84	8.10 4.72	5.90 2.96	2.20 3.19	0.38 0.57	0.23 0.41	0.22 0.50
8	40	S&P 500 86	Financials	Average S.D.	0.67 1.21	0.48 1.27	1.38 1.60	0.01 1.01	0.07 0.92	0.14 0.76	0.01 0.19	0.14 0.17	-0.07 0.30	0.17 0.72	-0.76 0.98	-0.18 0.98	-0.63 0.77	-0.08 0.92	3.22 3.04	2.55 2.25	0.67 2.74	0.18 0.45	0.10 0.35	0.11 0.38
		MBA ideal 14		Average S.D.	1.93 1.64	1.79 1.72	2.57 1.91	0.76 1.20	0.29 0.83	0.32 0.68	0.07 0.27	0.20 0.24	-0.36 0.63	-0.52 1.52	-1.79 0.97	-1.21 0.98	-1.21 0.70	-0.79 0.84	6.86 4.15	5.36 2.37	1.50 3.44	0.41 0.53	0.08 0.48	0.26 0.45
9	45	S&P 500 78	Info. Technology	Average S.D.	0.32 0.75	0.11 0.78	1.73 1.73	0.23 1.09	0.58 1.25	0.57 1.04	0.45 1.06	0.53 0.95	-0.09 0.33	0.12 0.79	-0.01 0.69	0.56 0.69	-0.67 0.73	-0.13 0.88	4.38 4.16	2.17 1.60	2.22 3.82	0.50 0.67	0.28 0.45	0.38 0.55
		MBA ideal 20		Average S.D.	0.85 1.14	0.66 1.19	3.05 1.70	1.06 1.07	1.05 1.50	0.96 1.25	0.95 1.50	0.98 1.34	-0.30 0.57	-0.38 1.37	-0.05 0.76	0.52 0.76	-0.25 0.72	0.37 0.86	8.00 5.44	2.75 2.02	5.25 4.77	1.00 0.85	0.60 0.60	0.77 0.72
10	50	S&P 500 9	Telecom. Services	Average S.D.	0.22 1.09	0.01 1.15	2.56 1.67	0.75 1.05	-0.33 0.71	-0.19 0.59	-0.22 0.44	-0.07 0.39	0.00 0.00	0.34 0.00	-1.00 1.12	-0.43 1.12	-1.00 0.71	-0.53 0.85	3.56 2.65	3.33 2.83	0.22 1.56	0.09 0.20	-0.02 0.25	-0.02 0.21
		MBA ideal 3		Average S.D.	1.00 1.00	0.82 1.05	4.00 2.00	1.66 1.26	-1.00 1.00	-0.74 0.83	-0.33 0.58	-0.17 0.52	0.00 0.00	0.34 0.00	-2.00 1.00	-1.43 1.00	-1.33 0.58	-0.93 0.69	6.33 2.08	6.00 2.00	0.33 1.53	0.07 0.15	-0.06 0.18	-0.09 0.13
11	55	S&P 500 31	Utilities	Average S.D.	-0.23 0.80	-0.46 0.84	1.23 1.18	-0.09 0.74	-0.48 0.93	-0.31 0.77	-1.52 1.46	-1.22 1.30	-0.16 0.37	-0.05 0.90	-0.97 0.84	-0.39 0.84	-0.29 0.94	0.32 1.13	2.68 1.62	5.77 2.38	-3.10 2.89	-0.48 0.46	-0.32 0.43	-0.49 0.42
		MBA ideal 31							n/a															
12		S&P 500 495	Total	Average S.D.	0.22 0.95	0.0 1.0	1.37 1.59	0.0 1.0	-0.11 1.21	0.0 1.0	-0.15 1.12	0.0 1.0	-0.14 0.42	0.0 1.0	-0.57 1.00	0.0 1.0	-0.56 0.83	0.0 1.0	3.55 3.32	3.65 2.84	-0.11 3.52	0.05 0.60	0.00 0.46	-0.01 0.52
		MBA ideal 99	Total	Average S.D.	0.79 1.29	0.6 1.3	2.61 1.72	0.8 1.1	0.15 1.39	0.2 1.2	-0.03 1.45	0.1 1.3	-0.27 0.59	-0.3 1.4	-0.80 1.19	-0.2 1.2	-0.62 0.89	-0.1 1.1	6.94 4.36	5.29 3.76	1.65 4.73	0.37 0.79	0.16 0.64	0.22 0.69

Table 4.6 KLD ratings and z-scores for S&P500 and MBA ideal sample, continued

	A	B	C	D	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ	AK
	GIS sector code	Sample n	GIS sector name	Measure	Total Strengths	Total Concerns	Total	Total Weighted	average z-score	weighted z-score	UG ideal	UG Consid.	MBA Ideal	MBA Consid.	Total Assets	Total Sales	Total Liabilities	Stockholder Equity	Net Income	ROE '05	ROA '05	ROS '05	avg. # of Employees
1	10	S&P 500	Energy	Average	2.21	5.45	-3.24	-0.46	-0.47	-0.45					28,902	35,121	15,378	13,524	3,424	0.21	0.10	0.16	19,645
				S.D.	2.11	3.63	2.44	0.43	0.46	0.42					44,276	72,127	21,442	23,347	7,169	0.14	0.05	0.13	24,995
2		MBA ideal		Average	6.00	14.33	-8.33	-1.17	-1.53	-1.26	0.01	0.05	0.01	0.09	147,056	225,180	71,525	75,531	21,253	0.27	0.14	0.09	60,278
				S.D.	3.61	3.06	2.08	0.41	0.04	0.24	0.01	0.03	0.01	0.03	53,898	89,937	22,632	31,276	12,887	0.05	0.03	0.02	24,075
3	15	S&P 500	Materials	Average	4.47	4.80	-0.33	-0.03	-0.02	-0.06					11,527	9,780	7,384	4,143	766	0.26	0.08	0.08	24,589
				S.D.	3.36	3.18	3.24	0.57	0.46	0.51					44,276	10,056	7,971	3,819	894	0.30	0.06	0.06	24,385
4		MBA ideal		Average	7.67	6.33	1.33	0.23	0.18	0.12	0.01	0.04	0.00	0.05	23,735	19,380	16,194	7,541	1,138	0.16	0.05	0.06	43,388
				S.D.	2.31	4.51	2.89	0.55	0.43	0.54	0.01	0.03	0.00	0.04	12,389	10,159	9,466	3,170	786	0.08	0.02	0.03	23,485
5	20	S&P 500	Industrials	Average	3.49	4.73	-1.24	-0.11	-0.09	-0.13					29,556	16,796	21,561	7,995	1,260	0.19	0.07	0.07	64,941
				S.D.	3.31	2.99	3.27	0.58	0.41	0.49					92,250	22,336	77,403	15,451	2,317	0.11	0.04	0.03	75,512
6		MBA ideal		Average	7.73	7.45	0.27	0.25	0.10	0.12	0.02	0.08	0.02	0.12	89,821	39,141	69,074	20,747	3,183	0.18	0.06	0.07	133,975
				S.D.	3.61	3.98	4.20	0.69	0.50	0.59	0.02	0.05	0.02	0.08	194,432	39,087	164,657	30,534	4,480	0.08	0.04	0.03	92,329
7	25	S&P 500	Cons. Discretionary	Average	3.40	3.60	-0.20	0.02	-0.02	-0.04					22,091	16,379	16,068	6,206	554	0.22	0.08	0.06	67,576
				S.D.	3.45	2.53	3.21	0.54	0.42	0.45					60,202	29,133	57,126	9,467	1,741	0.42	0.06	0.08	84,559
8		MBA ideal		Average	5.64	4.36	1.27	0.25	0.14	0.15	0.02	0.09	0.02	0.13	46,340	33,244	39,415	6,925	662	0.24	0.09	0.06	118,357
				S.D.	4.81	3.22	3.81	0.63	0.54	0.55	0.02	0.06	0.02	0.07	111,167	51,923	108,369	7,522	2,788	0.35	0.05	0.04	103,022
9	30	S&P 500	Cons. Staples	Average	4.18	4.64	-0.46	-0.05	-0.05	-0.12					18,427	27,022	11,872	6,555	1,615	0.39	0.10	0.08	110,415
				S.D.	2.91	3.64	4.36	0.69	0.58	0.60					27,162	50,298	17,474	10,051	2,563	1.18	0.07	0.07	282,808
10		MBA ideal		Average	6.23	5.92	0.31	0.08	0.01	-0.03	0.02	0.10	0.02	0.13	28,095	41,728	17,996	10,099	2,804	0.38	0.10	0.10	183,772
				S.D.	3.17	4.61	5.69	0.89	0.78	0.78	0.02	0.05	0.02	0.08	36,379	82,747	22,612	14,162	3,244	0.24	0.04	0.05	457,609
11	35	S&P 500	Health Care	Average	3.25	3.16	0.09	0.08	0.01	0.01					15,032	14,538	8,074	6,958	1,197	0.17	0.09	0.11	26,512
				S.D.	3.47	2.35	2.66	0.42	0.34	0.36					20,279	19,513	11,046	10,569	1,925	0.17	0.05	0.08	29,287
12		MBA ideal		Average	8.10	5.90	2.20	0.38	0.23	0.22	0.02	0.08	0.02	0.12	35,402	20,731	16,254	19,149	3,735	0.20	0.10	0.17	51,944
				S.D.	4.72	2.96	3.19	0.57	0.41	0.50	0.02	0.07	0.02	0.07	33,438	17,377	14,913	19,369	3,279	0.06	0.04	0.06	38,489
13	40	S&P 500	Financials	Average	3.22	2.55	0.67	0.18	0.10	0.11					176,314	15,040	162,063	14,250	2,029	0.16	0.03	0.17	27,505
				S.D.	3.04	2.25	2.74	0.45	0.35	0.38					298,448	22,447	278,483	21,589	3,520	0.19	0.05	0.11	45,949
14		MBA ideal		Average	6.86	5.36	1.50	0.41	0.08	0.26	0.02	0.09	0.04	0.16	635,631	45,714	593,634	41,997	6,777	0.17	0.01	0.14	86,515
				S.D.	4.15	2.37	3.44	0.53	0.48	0.45	0.01	0.04	0.04	0.08	437,640	30,548	403,648	37,154	6,382	0.06	0.01	0.05	83,597
15	45	S&P 500	Info. Technology	Average	4.38	2.17	2.22	0.50	0.28	0.38					11,284	8,954	5,343	5,941	985	0.86	0.08	0.11	26,281
				S.D.	4.16	1.60	3.82	0.67	0.45	0.55					17,640	16,326	10,430	8,798	2,074	6.01	0.10	0.19	44,651
16		MBA ideal		Average	8.00	2.75	5.25	1.00	0.60	0.77	0.02	0.11	0.03	0.15	26,249	23,402	12,111	14,138	2,901	0.21	0.11	0.16	54,079
				S.D.	5.44	2.02	4.77	0.85	0.60	0.72	0.02	0.07	0.03	0.10	28,429	27,141	17,462	13,858	3,347	0.19	0.06	0.11	74,961
17	50	S&P 500	Telecom. Services	Average	3.56	3.33	0.22	0.09	-0.02	-0.02					60,200	23,161	39,156	21,044	2,136	0.14	0.04	0.10	74,131
				S.D.	2.65	2.83	1.86	0.20	0.25	0.21					63,054	24,227	43,872	22,967	2,995	0.07	0.04	0.07	87,584
18		MBA ideal		Average	6.33	6.00	0.33	0.07	-0.06	-0.09	0.01	0.09	0.01	0.08	138,781	51,218	89,929	48,851	4,654	0.10	0.03	0.09	173,027
				S.D.	2.08	2.00	1.53	0.15	0.18	0.13	0.00	0.01	0.00	0.01	33,308	21,196	39,037	8,041	2,812	0.08	0.01	0.03	86,257
19	55	S&P 500	Utilities	Average	2.68	5.77	-3.10	-0.48	-0.32	-0.49					24,800	9,627	19,009	5,791	672	0.22	0.03	0.07	12,194
				S.D.	1.62	2.38	2.89	0.46	0.43	0.42					12,919	4,410	9,926	3,702	473	0.63	0.01	0.03	6,621
20		MBA ideal									0.01	0.04	n/a	n/a									
											n/a	n/a	n/a	n/a									
21		S&P 500	Total	Average	3.55	3.65	-0.11	0.05	0.00	-0.01					47,482	16,058	39,146	8,414	1,330	0.32	0.07	0.11	43,241
				S.D.	3.32	2.84	3.52	0.60	0.46	0.52					143,988	30,295	133,756	14,402	2,899	2.42	0.07	0.11	95,688
22		MBA ideal	Total	Average	6.94	5.29	1.65	0.37	0.16	0.22	0.02	0.09	0.02	0.13	132,114	39,465	112,217	19,897	3,610	0.23	0.08	0.11	102,110
				S.D.	4.36	3.76	4.73	0.79	0.64	0.69	0.02	0.05	0.03	0.08	274,836	56,732	257,100	25,698	5,520	0.22	0.05	0.07	182,336

Table 4.7 Correlation matrix, detailed

Variable	Mean	s.d.	Community	Diversity	Employees	Environment	Human Rights	Product	Corp Gov	Total Raw	Total Weighted	Z Total	Z Weighted	UG Ideal (n=114)	UG Considered (n=114)	MBA Ideal (n=99)	MBA Considered (n=98)	Total Assets	Total Sales	Net Income	ROE '05	ROA '05	ROS '05	Number of Employees	Salary Indicator
Corporate Social Performance																									
Community	0.22	0.95	1																						
Diversity	1.37	1.59	0.38 **	1																					
Employees	-0.11	1.21	0.10 *	0.13 **	1																				
Environment	-0.15	1.12	0.25 **	0.14 **	0.08	1																			
Human Rights	-0.14	0.42	-0.10 *	-0.08	0.03	0.26 **	1																		
Product	-0.57	1.00	-0.08	-0.16 **	0.18 **	0.14 **	0.10 *	1																	
Corp Gov	-0.56	0.83	-0.04	0.03	0.07	0.05	0.02	0.14 **	1																
Consolidated CSP																									
Total Raw	-0.11	3.52	0.52 **	0.60 **	0.53 **	0.58 **	0.19 **	0.35 **	0.31 **	1															
Total Weighted	0.05	0.60	0.51 **	0.57 **	0.66 **	0.59 **	0.12 **	0.32 **	0.16 **	0.97 **	1														
z-score Total	0.00	0.46	0.47 **	0.45 **	0.50 **	0.60 **	0.39 **	0.41 **	0.39 **	0.96 **	0.91 **	1													
z-score Weighted	-0.01	0.52	0.51 **	0.47 **	0.65 **	0.62 **	0.20 **	0.39 **	0.19 **	0.97 **	0.99 **	0.94 **	1												
Employer Attractiveness																									
UG Ideal (n=114)	0.02	0.02	0.14	0.33 **	0.05	0.21 *	-0.21 *	-0.09	0.13	0.20 *	0.21 *	0.13	0.18	1											
UG Considered (n=114)	0.08	0.05	0.23 *	0.45 **	0.17	0.29 **	-0.16	-0.06	0.12	0.35 **	0.37 **	0.27 **	0.33 **	0.90 **	1										
MBA Ideal (n=99)	0.02	0.03	0.20 *	0.27 **	0.20 *	0.18	-0.33 **	-0.13	0.06	0.20 *	0.25 **	0.10	0.21 **	0.74 **	0.69 **	1									
MBA Considered (n=98)	0.13	0.08	0.22 *	0.36 **	0.25 *	0.25 *	-0.27 **	-0.07	0.14	0.32 **	0.36 **	0.22 *	0.32 **	0.74 **	0.84 **	0.90 **	1								
Control Variables																									
Total Assets	47,482.33	143,968.15	0.36 **	0.25 **	0.05	0.00	-0.16 **	-0.27 **	-0.18 **	0.09 *	0.13 **	0.02	0.09 *	0.15	0.19 **	0.42 **	0.30 **	1							
Total Sales	16,057.85	30,294.86	0.18 **	0.25 **	-0.03	-0.20 **	-0.34 **	-0.28 **	-0.23 **	-0.09	-0.04	-0.20 **	-0.10 *	0.07	0.14	0.09	0.09	0.44 **	1						
Net Income	1,329.93	2,898.93	0.21 **	0.27 **	0.06	-0.17 **	-0.32 **	-0.19 **	-0.15 **	0.02	0.05	-0.09 *	0.00	0.19 *	0.23 *	0.34 **	0.32 **	0.55 **	0.70 **	1					
ROE '05	0.32	2.41	-0.02	0.05	-0.04	0.04	0.01	0.02	-0.02	0.02	0.01	0.01	0.01	0.05	0.12	0.04	0.18	-0.02	-0.02	-0.04	1				
ROA '05	0.07	0.07	-0.06	-0.02	0.14 **	0.02	-0.07	0.14 **	0.09	0.08	0.09 *	0.07	0.09 *	0.14	0.18 *	0.06	0.19	-0.19 **	-0.02	0.14 **	-0.26 **	1			
ROS '05	0.11	0.11	0.03	-0.03	0.23 **	0.03	0.01	0.09 *	0.04	0.13 **	0.15 **	0.13 **	0.16 **	0.16	0.17	0.31 **	0.31 **	0.04	-0.11 *	0.18 **	-0.13 **	0.57 **	1		
Number of Employees	43,241.44	95,688.29	0.13 **	0.22 **	-0.16 **	0.00	-0.19 **	-0.23 **	-0.15 **	-0.05	-0.04	-0.12 *	-0.08	0.02	0.05	0.01	0.04	0.23 **	0.65 **	0.35 **	-0.01	-0.02	-0.11 *	1	
Salary Indicator	124,100.45	10,859.12	0.06	-0.01	0.08	-0.09 *	-0.09	-0.14 **	-0.06	-0.03	-0.02	-0.08	-0.03	0.09	0.08	0.43 **	0.28 **	0.30 **	0.01	0.14 **	-0.02	-0.07	0.24 **	-0.12 **	1

** Correlation is significant at the 0.01 level (2-tailed).
 * Correlation is significant at the 0.05 level (2-tailed).

Appendix 5 Other

Table 5.1 S&P's Global Industry Classification System (GICS)

GICS Code	Sector	GICS Code	Industry Group	GICS Code	Industry		
10	<u>Energy</u>	1010	Energy	101010	Energy Equipment & Services		
				101020	Oil, Gas & Consumable Fuels		
15	<u>Materials</u>	1510	Materials	151010	Chemicals		
				151020	Construction Materials		
				151030	Containers & Packaging		
				151040	Metals & Mining		
				151050	Paper & Forest Products		
				201010	Aerospace & Defense		
20	<u>Industrials</u>	2010	Capital Goods	201020	Building Products		
				201030	Construction & Engineering		
				201040	Electrical Equipment		
				201060	Machinery		
				201070	Trading Companies & Distributors		
				2030	Transportation		
				203010	Air Freight & Logistics		
				203020	Airlines		
				203040	Road & Rail		
				25	<u>Consumer Discretionary</u>	2510	Automobiles & Components
251020	Automobiles						
2520	Consumer Durables & Apparel	252010	Household Durables				
		252020	Leisure Equipment & Products				
		252030	Textiles, Apparel & Luxury Goods				
2530	Consumer Services	253010	Hotels Restaurants & Leisure				
		253020	Diversified Consumer Services				
2540	Media	254010	Media				
2550	Retailing	255010	Distributors				
		255020	Internet & Catalog Retail				
		255030	Multiline Retail				
		255040	Specialty Retail				
		255040	Specialty Retail				
		3010	Food & Staples Retailing	301010	Food & Staples Retailing		
30	<u>Consumer Staples</u>	3020	Food Beverage & Tobacco	302010	Beverages		
				302020	Food Products		
				302030	Tobacco		
		3030	Household & Personal Products	303010	Household Products		
				303020	Personal Products		
35	<u>Health Care</u>	3510	Health Care Equipment & Services	351010	Health Care Equipment & Supplies		
				351020	Health Care Providers & Services		
				351030	Health Care Technology		
		3520	Pharmaceuticals, Biotechnology & Life Sciences	352010	Biotechnology		
				352020	Pharmaceuticals		
				352030	Life Sciences Tools & Services		
40	<u>Financials</u>	4010	Banks	401010	Commercial Banks		
				401020	Thrifts & Mortgage Finance		
		4020	Diversified Financials	402010	Diversified Financial Services		
				402020	Consumer Finance		
				402030	Capital Markets		
		4030	Insurance	403010	Insurance		
		4040	Real Estate	404020	Real Estate Investment Trusts (REITs)		
45	<u>Information Technology</u>	4510	Software & Services	451010	Internet Software & Services		
				451020	IT Services		
				451030	Software		
		4520	Technology Hardware & Equipment	452010	Communications Equipment		
				452020	Computers & Peripherals		
				452030	Electronic Equipment & Instruments		
				452040	Office Electronics		
		4530	Semiconductors & Semiconductor Equipment	453010	Semiconductor & Semiconductor Equipment		
		50	<u>Telecommunication Services</u>	5010	Telecommunication Services	501010	Diversified Telecommunication Services
						501020	Wireless Telecommunication Services
55	<u>Utilities</u>	5510	Utilities	551010	Electric Utilities		
				551020	Gas Utilities		
				551030	Multi-Utilities		
				551050	Independent Power Producers & Energy Traders		

source: www.standardandpoors.com

Appendix 6 Datasets

Table 6.1 Favourite MBA employers, 'ideal' and 'considered'

Rank (ideal)	Rank (consid.)	MBA	Ideal (Top 5)*	Considered (Top 15-25)**
1	2	McKinsey & Company	18.3	33.6
2	1	Google	12.5	34.2
3	15	Goldman Sachs	12.5	25.1
4	4	Bain & Company	12.3	29.5
5	7	The Boston Consulting Group	10.7	27.7
6	9	Citigroup	9.2	27.4
7	3	Apple Computer	9.0	30.5
8	10	General Electric	8.1	27.4
9	5	Johnson & Johnson	8.1	28.6
10	23	Morgan Stanley	7.3	22.9
11	14	Procter & Gamble	6.9	25.6
12	6	Nike	6.8	28.3
13	36	Lehman Brothers	6.7	18.5
14	24	Walt Disney	6.4	22.8
15	20	Booz Allen Hamilton	6.3	23.8
16	8	Microsoft	6.1	27.6
17	29	Deloitte	5.9	20.9
18	16	Bank of America	5.8	24.5
19	11	BMW	5.1	26.6
20	33	Merrill Lynch	5.0	20.0
21	35	JPMorgan Investment Bank	4.9	18.9
22	22	Starbucks	4.9	23.5
23	19	IBM	4.9	23.9
24	12	3M	4.8	25.9
25	30	Intel	4.6	20.7
26	25	Yahoo!	4.6	22.4
27	18	Coca-Cola	4.5	24.1
28	39	UBS Investment Bank	3.9	17.1
29	13	Sony	3.9	25.8
30	21	PepsiCo	3.9	23.6
31	31	Toyota	3.9	20.2
32	17	Amazon.com	3.8	24.4
33	27	American Express	3.7	21.2
34	34	Target	3.7	19.2
35	66	Genentech	3.6	12.6
36	26	Dell	3.6	21.7
37	32	eBay	3.3	20.1
38	43	JPMorgan Chase	3.3	16.2
39	57	Fidelity Investments	3.3	14.1
40	67	Harrah's Entertainment	3.2	12.6
41	42	Deutsche Bank	3.2	16.5
42	51	L'Oréal	3.1	15.1
43	40	Accenture	3.0	17.0
44	46	Credit Suisse First Boston	3.0	15.5
45	47	Unilever	3.0	15.4
46	62	Starwood Hotels & Resorts W	3.0	13.3
47	37	Pfizer	3.0	18.1
48	41	Gap Inc	3.0	16.9
49	28	Nestlé	2.9	21.1
50	50	PricewaterhouseCoopers	2.9	15.3
51	49	Southwest Airlines	2.8	15.4
52	63	Wachovia Corporation	2.6	13.2
53	69	Lilly (Eli Lilly and Company)	2.5	12.5
54	65	BP	2.5	12.6
55	96	Amgen	2.5	9.8
56	76	Central Intelligence Agency	2.5	12.0
57	53	General Mills	2.5	14.5
58	45	Marriott	2.4	15.6
59	54	Bear Stearns	2.3	14.3
60	48	Kraft Foods	2.2	15.4
61	75	ExxonMobil	2.1	12.1
62	61	Boeing	2.1	13.3
63	64	A.T. Kearney	2.0	13.0
64	60	Barclays Capital	2.0	13.5
65	129	Medtronic	2.0	7.4
66	38	Motorola	2.0	18.0
67	73	Ernst & Young	2.0	12.1
68	108	Monitor Group	1.9	9.2
69	52	The Home Depot	1.9	14.9
70	130	Diageo	1.8	7.3
71	70	Cisco Systems	1.8	12.5
72	107	Limited Brands	1.7	9.2
73	95	GlaxoSmithKline	1.7	9.8
74	55	Reebok	1.6	14.3
75	56	Hewlett-Packard	1.6	14.2
76	103	The Vanguard Group	1.6	9.4
77	105	Chevron Corporation	1.6	9.2
78	81	Mercer Management Consulti	1.5	11.0
79	89	Abbott	1.5	10.2
80	58	Colgate-Palmolive	1.5	14.0
81	59	Best Buy	1.5	13.6
82	79	KPMG	1.5	11.5
83	88	Federal Bureau of Investigatio	1.5	10.3
84	85	Miller Brewing Company	1.5	10.6
85	141	Cargill	1.5	6.5
86	83	HSBC	1.4	11.0
87	97	Wells Fargo & Company	1.4	9.8
88	93	Saks Inc.	1.4	9.9
89	98	Lockheed Martin Corporation	1.4	9.6
90	80	Honeywell	1.3	11.0

Rank (ideal)	Rank (consid.)	MBA	Ideal (Top 5)*	Considered (Top 15-25)**
91	82	Mattel	1.3	11.0
92	115	American Airlines	1.3	8.5
93	100	MGM Mirage	1.3	9.5
94	132	United Technologies	1.2	7.1
95	158	Pulte Homes	1.2	4.8
96	109	Wal-Mart Stores	1.2	9.1
97	87	DaimlerChrysler	1.1	10.5
98	84	Shell Oil Company	1.1	10.6
99	112	ING U.S. Financial Services	1.1	9.0
100	106	Bearing Point	1.1	9.2
101	68	Bose Corporation	1.1	12.5
102	101	Bristol-Myers Squibb	1.1	9.5
103	44	Nokia	1.1	15.6
104	77	Siemens	1.0	12.0
105	91	Kimberly-Clark Corporation	1.0	10.1
106	119	Novartis	1.0	8.1
107	71	Nissan	1.0	12.4
108	90	Coors Brewing Company	1.0	10.1
109	99	DuPont	1.0	9.6
110	113	Ford Motor Company	1.0	8.7
111	123	Honda R&D Americas	0.9	7.9
112	143	Guidant	0.9	6.2
113	102	Verizon	0.9	9.5
114	163	Eaton Corporation	0.8	4.1
115	104	S.C Johnson & Son	0.8	9.4
116	121	General Motors	0.8	8.0
117	86	Merck	0.8	10.5
118	135	Roche	0.8	7.0
119	126	AIG	0.8	7.6
120	120	AT&T	0.8	8.0
121	155	TIAA-CREF	0.7	5.0
122	137	McGraw-Hill Companies	0.7	6.7
123	144	Northrop Grumman	0.7	6.1
124	138	Philip Morris USA	0.7	6.6
125	152	Mayo Clinic	0.7	5.1
126	139	ConAgra Foods	0.7	6.6
127	140	QUALCOMM	0.7	6.6
128	110	Texas Instruments Incorporat	0.7	9.1
129	162	Cummins, Inc.	0.7	4.4
130	128	Black & Decker	0.6	7.5
131	116	Mars Incorporated / Masterfoc	0.6	8.4
132	111	Campbell Soup Company	0.6	9.0
133	154	PNC Financial Services Group	0.6	5.0
134	72	The Hershey Company	0.6	12.3
135	161	DiamondCluster	0.6	4.5
136	148	AstraZeneca	0.6	5.3
137	147	Georgia-Pacific Corporation	0.6	5.6
138	117	AMD	0.6	8.4
139	159	Avaya	0.6	4.8
140	92	Philips	0.6	10.0
141	74	The Kellogg Company	0.5	12.1
142	134	Whirlpool Corporation	0.5	7.0
143	142	Prudential Financial	0.5	6.5
144	136	DHL	0.5	6.8
145	153	Bertelsmann (BMG, Random	0.5	5.1
146	150	Intuit	0.5	5.2
147	160	Fifth Third Bancorp	0.5	4.6
148	94	MasterCard	0.5	9.8
149	114	Sun Microsystems	0.5	8.6
150	146	ConocoPhillips	0.4	5.7
151	133	Sprint Nextel	0.4	7.0
152	118	Xerox	0.4	8.1
153	166	Thomson Corporation	0.4	3.6
154	131	Staples	0.4	7.3
155	149	Liberty Mutual	0.4	5.3
156	127	AOL	0.4	7.6
157	124	Bayer	0.4	7.7
158	145	Tyco International	0.3	5.9
159	122	T-Mobile	0.3	7.9
160	151	Capgemini	0.3	5.2
161	164	The Hartford Financial Service	0.3	3.9
162	78	Panasonic	0.3	11.5
163	157	Hyundai	0.3	5.0
164	171	IRS	0.3	2.7
165	125	Bausch & Lomb	0.3	7.7
166	169	Weyerhaeuser	0.2	2.8
167	168	Rohm & Haas	0.2	3.0
168	167	State Farm Insurance Compa	0.2	3.5
169	173	Florida Power & Light Co.	0.2	2.1
170	156	Tyson Foods	0.1	5.0
171	170	Takeda Pharmaceuticals Nort	0.1	2.7
172	172	The TJX Companies	0.1	2.3
173	165	Sanofi-Aventis	0.1	3.7
174	174	ARAMARK	0.1	2.0
175	176	Hospira	0.1	1.1
176	175	Convergys	0.0	1.4
177	177	Stockamp & Associates	0.0	1.0

* % of MBAs who put in their top 5 most desirable workplaces
** % of MBAs who who consider employment with this company (15-25 choices)

source: Universum Communications, 2006

Table 6.2 Favourite Undergraduate employers, 'ideal' and 'considered'

Rank (ideal)	Rank (consid.)	Undergraduates	Ideal (Top 5)*	Considered (Top 15-25)**
1	1	Walt Disney	11.2	23.6
2	2	Google	9.1	23.5
3	9	U.S. Department of State	8.5	17.3
4	11	Federal Bureau of Investigatio	8.0	16.5
5	17	Central Intelligence Agency	7.6	15.2
6	3	Microsoft	6.7	20.7
7	7	Apple Computer	6.4	18.6
8	5	Johnson & Johnson	6.2	19.9
9	6	BMW	5.8	19.3
10	4	Sony	5.4	20.5
11	37	PricewaterhouseCoopers	5.3	11.8
12	13	Nike	5.2	16.2
13	59	Mayo Clinic	5.0	9.7
14	12	Procter & Gamble	4.7	16.3
15	24	Pfizer	4.7	13.7
16	28	Ernst & Young	4.5	13.0
17	19	Boeing	4.5	14.9
18	38	Lockheed Martin Corporation	4.5	11.7
19	8	Coca-Cola	4.3	17.6
20	21	Starbucks	4.0	14.7
21	23	Merrill Lynch	4.0	14.0
22	14	IBM	4.0	16.1
23	60	Goldman Sachs	4.0	9.5
24	61	Deloitte	4.0	9.3
25	20	General Electric	3.9	14.7
26	52	National Security Agency	3.8	10.0
27	33	L'Oréal	3.7	12.7
28	10	Amazon.com	3.7	16.7
29	18	Bank of America	3.7	15.2
30	25	Gap Inc.	3.4	13.3
31	31	Time Warner Inc.	3.3	12.7
32	30	Target	3.3	12.7
33	45	Anheuser-Busch	3.2	11.3
34	27	Intel	3.1	13.0
35	42	JPMorgan Investment Bank	3.1	11.5
36	22	3M	3.0	14.5
37	80	KPMG	3.0	7.4
38	39	Morgan Stanley	3.0	11.6
39	49	Hilton Hotels Corporation	3.0	10.8
40	43	American Airlines	2.8	11.4
41	71	GlaxoSmithKline	2.8	8.0
42	47	Virgin	2.7	11.0
43	26	Toyota	2.7	13.1
44	64	Merck	2.6	8.8
45	66	Electronic Arts	2.6	8.7
46	36	JPMorgan Chase	2.5	12.4
47	50	Citigroup	2.5	10.6
48	15	Dell	2.4	15.3
49	16	PepsiCo	2.3	15.3
50	44	General Motors	2.2	11.4
51	54	Southwest Airlines	2.2	9.9
52	56	Marriott	2.2	9.7
53	34	eBay	2.2	12.5
54	97	Abbott	2.1	6.4
55	29	Yahoo!	2.0	12.8
56	32	American Express	2.0	12.7
57	128	McKinsey & Company	2.0	4.8
58	69	ExxonMobil	1.9	8.3
59	113	Lilly (Eli Lilly and Company)	1.9	5.5
60	53	Ford Motor Company	1.8	10.0
61	102	Wyeth Pharmaceuticals	1.8	6.0
62	35	Nestlé	1.7	12.4
63	88	McGraw-Hill Companies	1.7	6.9
64	101	Raytheon	1.7	6.0
65	84	The Boston Consulting Group	1.6	7.0
66	105	Internal Revenue Service (IRS)	1.6	5.9
67	65	Adobe Systems	1.6	8.8
68	100	Accenture	1.6	6.2
69	72	Shell Oil Company	1.6	7.9
70	133	Genentech	1.6	4.4
71	41	The Hershey Company	1.6	11.5
72	75	DuPont	1.5	7.8
73	48	Best Buy	1.5	10.8
74	40	Hewlett-Packard	1.5	11.6
75	117	U.S. Customs Border Protecti	1.5	5.3
76	122	Northrop Grumman Corporati	1.5	5.1
77	83	Deutsche Bank	1.4	7.1
78	144	Bain & Company	1.4	3.9
79	106	AMD	1.4	5.8
80	90	Honda R&D Americas	1.4	6.8
81	57	Kraft Foods	1.4	9.7
82	93	Bayer	1.4	6.8
83	123	Starwood Hotels & Resorts W	1.4	5.0
84	86	DaimlerChrysler	1.4	7.0
85	126	Lehman Brothers	1.4	4.9
86	73	Wachovia Corporation	1.3	7.9
87	109	Caterpillar	1.3	5.6
88	51	General Mills	1.3	10.2
89	91	Fidelity Investments	1.2	6.8
90	104	Wal-Mart Stores	1.2	5.9
91	95	UBS Investment Bank	1.2	6.5
92	67	Rolls-Royce North America	1.2	8.7
93	129	Limited Brands	1.2	4.7
94	124	Harrah's Entertainment	1.2	5.0
95	63	Texas Instruments Incorporati	1.2	9.1
96	103	Bristol-Myers Squibb	1.2	6.0
97	77	Siemens	1.2	7.6
98	76	Bose Corporation	1.1	7.6
99	46	Motorola	1.1	11.0

Rank (ideal)	Rank (consid.)	Undergraduates	Ideal (Top 5)*	Considered (Top 15-25)**
100	120	Dow Chemical	1.1	5.2
101	85	Cisco Systems	1.1	7.0
102	116	BP	1.1	5.3
103	89	Mattel	1.1	6.9
104	94	Miller Brewing Company	1.0	6.7
105	79	Wells Fargo & Company	1.0	7.4
106	81	UPS	1.0	7.2
107	161	Amgen	1.0	2.9
108	58	Verizon	1.0	9.7
109	96	Sun Microsystems	1.0	6.5
110	87	Prudential Financial	0.9	7.0
111	108	Kimberly-Clark Corporation	0.9	5.7
112	74	AOL	0.9	7.8
113	125	Walgreen Corporation	0.9	4.9
114	114	State Farm Insurance Compai	0.8	5.4
115	98	S.C Johnson & Son	0.8	6.2
116	62	AT&T	0.8	9.2
117	155	Novartis	0.8	3.3
118	99	Philip Morris USA	0.8	6.2
119	149	Takeda Pharmaceuticals Nort	0.8	3.6
120	119	ING U.S. Financial Services	0.8	5.2
121	118	Honeywell	0.7	5.2
122	92	Philips	0.7	6.8
123	159	Booz Allen Hamilton	0.7	3.0
124	146	Mercer Management Consulti	0.7	3.8
125	141	United Technologies	0.7	4.0
126	131	The Vanguard Group	0.7	4.6
127	55	Nokia	0.7	9.8
128	115	New York Life Insurance Com	0.7	5.3
129	82	Sprint Nextel	0.7	7.2
130	147	Halliburton	0.7	3.8
131	127	Chevron Corporation	0.7	4.9
132	145	HSBC	0.7	3.9
133	153	Bear Stearns	0.6	3.5
134	150	Credit Suisse First Boston	0.6	3.6
135	142	Pacific Gas and Electric Com	0.6	4.0
136	70	Cingular	0.6	8.2
137	177	Eckerd Youth Alternatives	0.6	2.2
138	160	Roche	0.6	3.0
139	68	MasterCard	0.6	8.5
140	163	Federated Department Stores	0.6	2.8
141	135	Tyson Foods	0.6	4.3
142	112	Oracle	0.6	5.5
143	169	Pulte Homes	0.6	2.4
144	138	PNC Financial Services Group	0.5	4.2
145	158	Unilever	0.5	3.2
146	175	Turner Construction	0.5	2.3
147	139	Bosch	0.5	4.2
148	107	The Home Depot	0.5	5.7
149	111	Campbell Soup Company	0.5	5.5
150	152	QUALCOMM	0.5	3.5
151	173	Bertelsmann (BMG, Random I	0.5	2.3
152	132	Liberty Mutual	0.4	4.6
153	171	Yum! Brands	0.4	2.4
154	156	ConAgra Foods	0.4	3.3
155	157	ConocoPhillips	0.4	3.2
156	180	Cargill	0.4	2.0
157	167	BAE Systems	0.4	2.5
158	140	The Hartford Financial Service	0.4	4.2
159	172	Weyerhaeuser	0.4	2.4
160	78	T-Mobile	0.4	7.5
161	174	National City	0.4	2.3
162	136	3Com	0.4	4.2
163	137	Tyco	0.3	4.2
164	179	The TJX Companies	0.3	2.1
165	110	Staples	0.3	5.5
166	151	Georgia-Pacific Corporation	0.3	3.6
167	121	Black & Decker	0.3	5.2
168	154	Citadel Investment Group	0.3	3.4
169	134	Bell South	0.3	4.4
170	162	Fifth Third Bancorp	0.3	2.8
171	182	Cummins, Inc.	0.3	2.0
172	165	Enterprise Rent-A-Car	0.2	2.6
173	178	ARAMARK	0.2	2.1
174	176	BB&T Corporation	0.2	2.2
175	168	Owens Corning	0.2	2.5
176	166	Sunoco	0.2	2.6
177	183	Milliken & Company	0.2	1.9
178	130	Ericsson	0.2	4.7
179	187	Ferguson	0.2	1.6
180	148	Sears Holding Corporation	0.2	3.7
181	181	Alcoa	0.2	2.0
182	143	Whirlpool Corporation	0.2	3.9
183	186	Darden Restaurants	0.2	1.6
184	170	DHL	0.2	2.4
185	188	Rohm & Haas	0.2	1.5
186	184	Intuit	0.1	1.7
187	185	Eaton Corporation	0.1	1.7
188	191	CNA	0.1	1.2
189	195	Capgemini	0.1	1.1
190	194	Hospira	0.1	1.1
191	192	Stockamp & Associates	0.1	1.2
192	189	Avaya	0.1	1.4
193	193	Convergys	0.1	1.1
194	164	Hertz	0.0	2.7
195	190	Continental Tires	0.0	1.3

* % of Undergraduates who put in their top 5 most desirable workplaces

** % of UGs who consider employment with this company (15-25 choices)

source: Universum Communications, 2006

Chart 6.3 Favourite Undergraduates employers, ideal, distribution

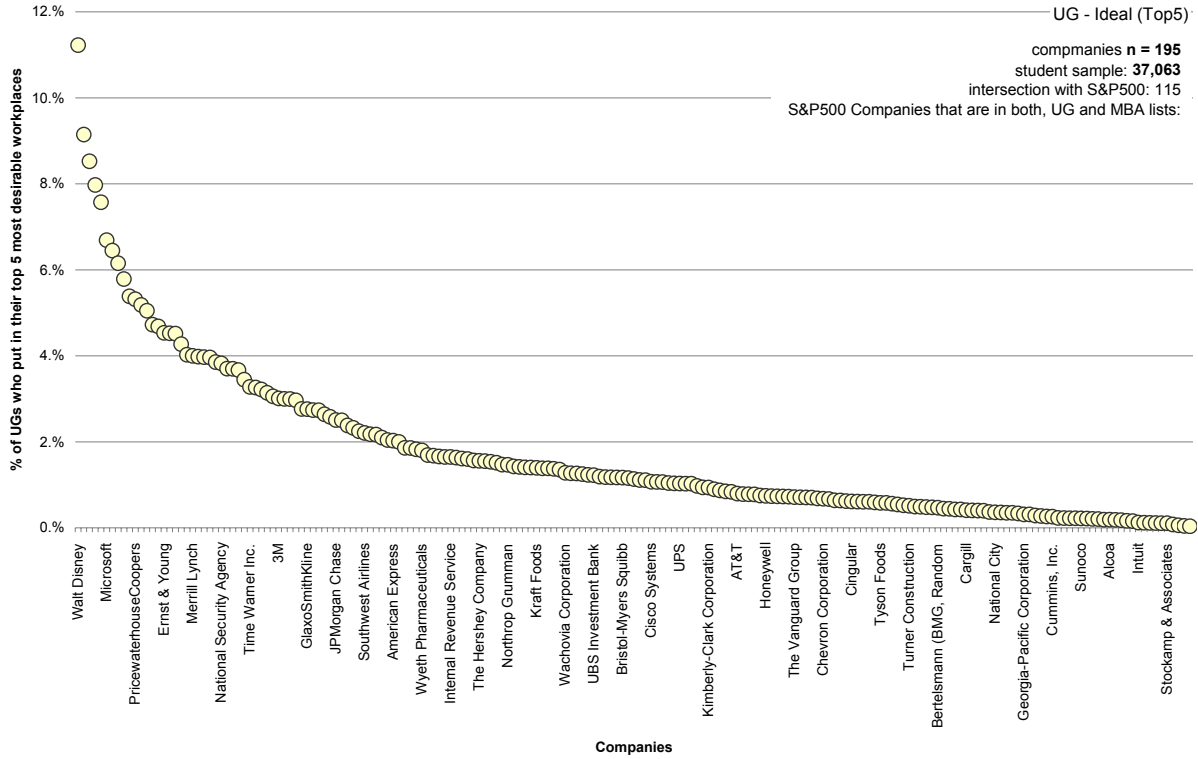


Chart 6.4 Favourite Undergraduates employers, considered, distribution

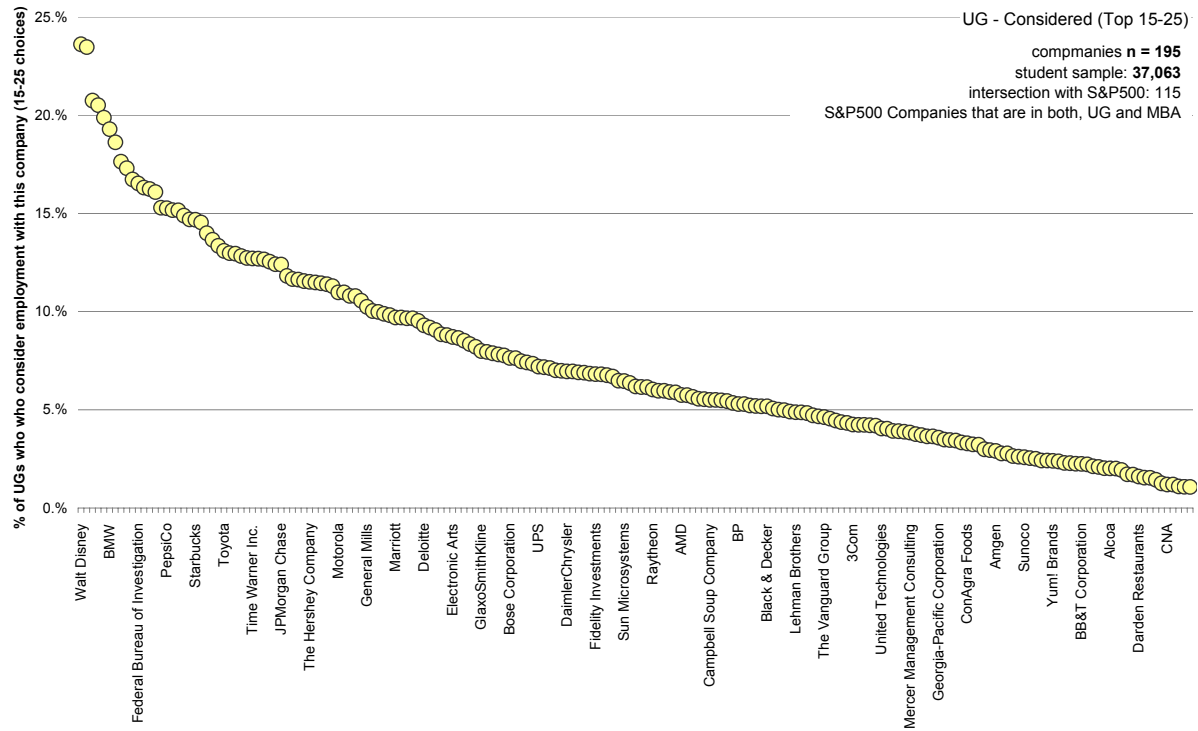


Chart 6.5 Favourite MBA employers, ideal, distribution

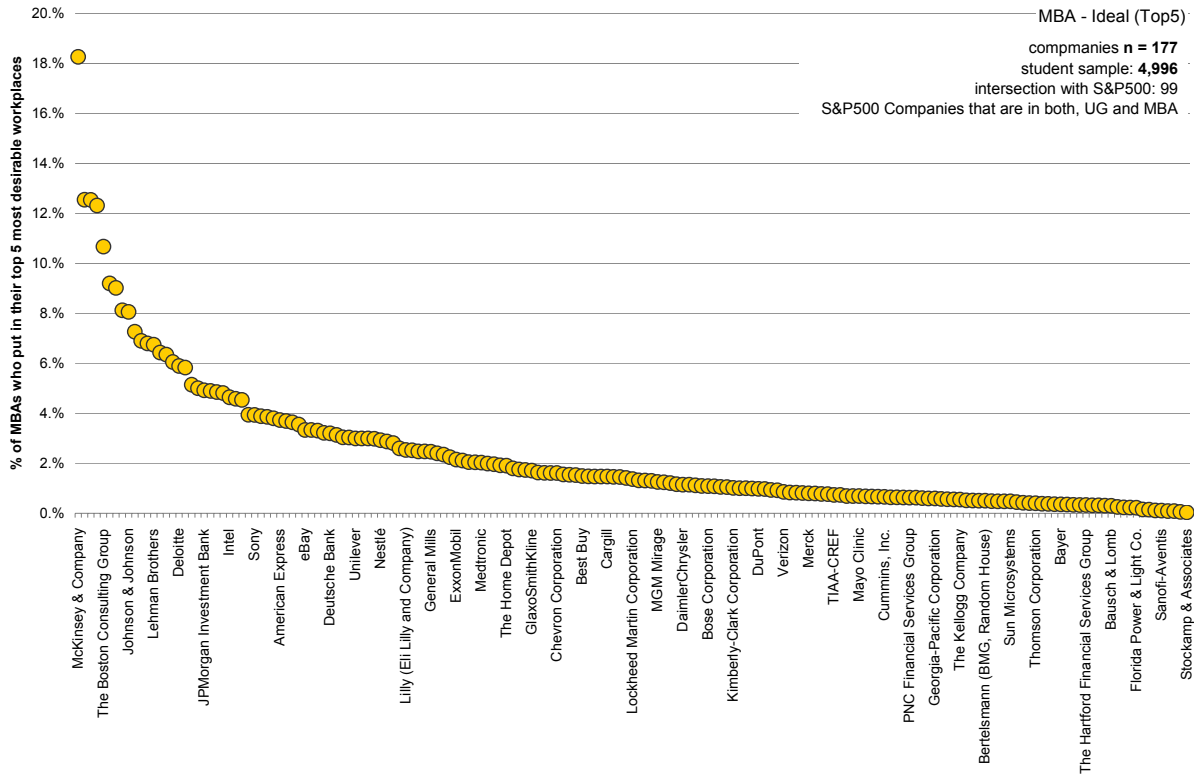


Chart 6.6 Favourite MBA employers, considered, distribution

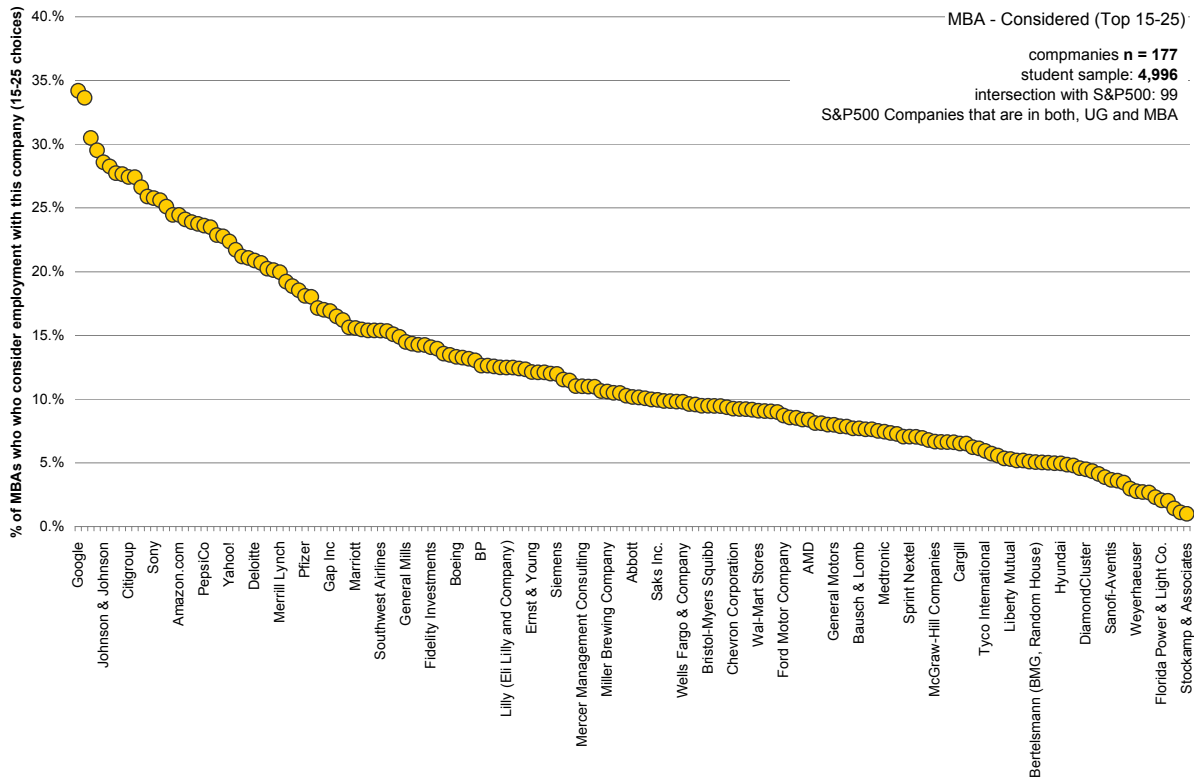


Table 6.7 Dataset: Expected starting salaries and after five years by Industry Salaries

Base salary MBA candidates say they expect to earn - by Industry

	Expected salary		((Sal. 0) + (Sal. 5))/2	Ind. Group	Matching GICS Industries	
	first job after graduation \$	five years after graduation \$			Industry	GICS Industry Name
Academic research	87,743	173,456	130,600			
Advertising/ public relations	79,804	126,402	103,103			
Aerospace/defense	84,908	142,212	113,560		201010	Aerospace & Defense
Agricultural	82,130	144,545	113,338			
Airline/travel	87,763	166,835	127,299		203020	Airlines
Auditing/ accounting/ taxation	56,531	92,000	74,266			
Automotive	87,046	144,606	115,826		251020	Automobiles
Biotechnology	92,809	160,629	126,719		352010	Biotechnology
Chemical/petroleum	88,919	152,453	120,686		151010	Chemicals
Commercial banking	85,289	155,832	120,561		401010	Commercial Banks
Computer hardware	90,752	144,504	117,628	4530 4520		Semiconductor & Eqmt Technology Hardware & Eqmt
Computer software	95,342	173,842	134,592		451010 451030	Internet Software & Services Application Software
Construction	81,394	141,563	111,479		151020 201020	Construction Materials Building Products
Consumer goods	87,012	143,776	115,394	2520 30		Consumer Durables & Apparel Consumer Staples
Education/teaching	79,908	139,554	109,731		25302010	Education Services
Electronics	89,043	144,281	116,662		201040	Electrical Equipment
Energy/power	92,838	168,435	130,637	1010		Energy
Engineering consulting	85,178	133,378	109,278			
Engineering/manufacturing	86,684	142,374	114,529		201060 201050	Machinery Industrial Conglomerates
Entertainment/ media/ public relations	86,100	150,435	118,268		254010	Media
Environmental/ conservation	84,027	130,342	107,185			
Financial services	93,155	194,733	143,944		402020 402010	Consumer Finance Diversified Financial Services
Food service	88,326	176,075	132,201			
Forestry/paper/pulp	86,667	139,444	113,056		151050	Paper & Forest Products
Government/public service	85,266	144,882	115,074			
Healthcare	90,220	159,541	124,881		351020	Health Care Provider
Healthcare/pharmaceutical	91,432	158,157	124,795	3520	351010	Pharmaceuticals Health Care Equipment & Supplies
Hospitality	91,531	172,188	131,860			
Hotel/restaurant/tourism	86,962	143,228	115,095		253010	Hotels Restaurants & Leisure
Insurance	85,592	175,938	130,765		403010	Insurance
Internet/e-commerce	95,971	177,324	136,648		451010	Internet Software & Services
Investment banking	95,726	239,336	167,531		402030	Capital Markets
Investment management	98,088	225,254	161,671			
IT consulting	88,424	154,208	121,316		451020	IT Services
Management consulting	97,563	195,341	146,452			
Metals	89,500	186,800	138,150		151040	Metals & Mining
Network communications/ data networking	85,724	163,069	124,397			
Non-profit	84,339	138,309	111,324			
Other	89,097	157,480	123,289		151030 201050	Containers & packaging Industrial Conglomerates Commercial Services
Real estate	91,426	183,755	137,591	4040		Real Estate
Retail/fashion/apparel	86,871	155,552	121,212	2550		Retailing
Telecommunications	92,733	178,493	135,613	5010		Telecommunications
Transportation/ distribution/ logistics	83,180	143,083	113,132	2030		Transportation
Utilities	88,200	160,385	124,293	5510		Utilities
Venture capital	103,274	234,344	168,809			
Average	88,087	167,052	124,321			

source: Universum Communications

allocations to GICS industry codes by author

Base salary MBA candidates say they expect to earn - Overall

First job after graduation	2006 \$	2005 \$
All students	88,087	81,658
Women	86,805	81,962
Men	94,710	89,933
5 years after graduation		
All students	167,052	156,753
Women	156,290	155,909
Men	191,541	184,352

source: Universum Communications

Company Information				Community			Diversity			Employees			Environment			Human Rights			Product			Corp. Governance			Negative Screens				Total					Key Financial Figures																
Company Name	Ticker	Sector	Industry Group	+	-	net	z	+	-	net	z	+	-	net	z	+	-	net	z	+	-	net	z	+	-	net	z	alc	gun	lob	mil	nucl	+	-	net	wa	z	z wa	MBA Ideal	Assets	Net Income	ROE '05 (%)	ROA '05 (%)	ROS '05 (%)	# of Emp.	Salary Indicator				
491 XTO Energy Inc.	XTO	10	1010	0	1	-1	-1.27	0	1	-1	-1.49	1	0	1	0.92	0	0	0	0.13	0	0	0	0.34	0	0	0	0.57	0	1	-1	-0.53	0	0	0	0	0	1	3	-2	-0.10	-0.19	-0.08	9,857	1,152	0.27	0.12	0.33	1,323	130,637	
492 Yahoo! Inc.	YHOO	45	4510	0	0	0	-0.23	2	0	2	0.40	1	0	1	0.92	0	0	0	0.13	0	1	-1	-2.06	0	0	0	0.57	0	1	-1	-0.53	0	1	0	0	0	3	3	0	0.40	-0.11	0.19	4.6%	10,832	1,896	0.22	0.18	0.36	7,600	134,592
493 Yum! Brands, Inc.	YUM	25	2530	0	0	0	-0.23	0	2	-2	-2.12	0	2	-2	-1.57	0	1	-1	-0.76	0	1	-1	-2.06	0	1	-1	-0.43	0	1	-1	-0.53	0	0	0	0	0	0	8	-8	-1.25	-1.10	-1.09	0.7%	5,698	762	0.53	0.13	0.08	272,000	115,095
494 Zimmer Holdings, Inc.	ZMH	35	3510	1	0	1	0.82	2	0	2	0.40	2	1	1	0.92	0	0	0	0.13	0	0	0	0.34	0	0	0	0.57	0	0	0	0.67	0	0	0	0	0	5	1	4	0.70	0.55	0.57	5,722	733	0.16	0.13	0.22	6,700	124,795	
495 Zions Bancorporation	ZION	40	4010	0	1	-1	-1.27	0	0	0	-0.86	0	1	-1	-0.74	0	0	0	0.13	0	0	0	0.34	0	0	0	0.57	0	0	0	0.67	0	0	0	0	0	2	-2	-0.40	-0.17	-0.34	42,780	480	0.11	0.01	0.20	10,102	120,561		
Average				0.5	0.2	0.2	0.00	1.6	0.3	1.4	0.00	0.6	0.7	-0.1	0.00	0.4	0.6	-0.2	-0.00	0.0	0.2	-0.1	0.00	0.1	0.7	-0.6	-0.00	0.2	0.8	-0.6	0.00	0.0	0.0	0.0	0.1	0.1	3.6	3.7	-0.11	0.05	-0.00	-0.01	0.02	47,650	1,333	0.32	0.07	0.11	43,046	124,138
s.d.				0.9	0.5	1.0	1.00	1.5	0.5	1.6	1.00	0.9	0.8	1.2	1.00	0.9	1.1	1.1	1.00	0.1	0.4	0.4	1.00	0.4	0.9	1.0	1.00	0.5	0.7	0.8	1.00	0.1	0.2	0.1	0.2	0.2	3.3	2.8	3.52	0.80	0.46	0.52	0.03	144,236	2,904	2.43	0.07	0.11	95,761	10,865
max				5	3	5	5.01	7	2	6	2.92	4	4	4	3.40	5	5	4	3.71	1	3	1	2.73	3	4	2	2.58	2	4	2	3.08						18	17	14	2.65	1.65	2.11	0.13	1,494,037	36,130	53.13	0.39	0.65	1,700,000	167,531
min				0	0	-2	-2.32	0	0	-2	-2.12	0	0	-4	-3.23	0	0	-5	-4.34	0	0	-3	-6.85	0	0	-4	-3.43	0	0	-3	-2.93						0	0	-10	-1.50	-1.64	-1.50	0.00	733	-10,567	-1.98	-0.43	-1.02	354	109,731

source: KLD, Computat, Universum Communication

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Obviously not all works in the Bibliography have been read *in toto*, however the abstract of every work listed has been read and a copy is in the possession of the author or has been in the case of library books. The amount of literature has grown in an attempt to narrow the topic down and to ensure that no relevant document is omitted. Therefore not all of the Bibliography is relevant, but has been decisive in giving the search a push in the right direction. Also the many facets of corporate social responsibility case were documented in various areas of literature so that a broad range of issues had to be considered.

Every effort has been made to reference sources fully and correctly, however this was not always possible. In those cases if no substituting information could be found, 'unknown' has been used.

The Appendix also includes the entire research on CD-ROM (where digital), attached at the end of the document. Each paper that has been collected in digital format has been saved on the CD.

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