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**The Impact of the Crisis on Corporate Responsibility: The Case of UN Global Compact Participants in the USA**

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## **ABSTRACT**

This study is one of the first that examines the impact of the current economic crisis on business and non-business sector's corporate social responsibility (CSR) efforts. We focus on one key CSR initiative, namely, the United Nations Global Compact (GC). Using survey data from a sample of GC participants in the US, we find that those reporting high CSR integration (i.e. into their policies, programs, performance, and goals), and those reporting lesser conformity to the active GC principles will be affected more by the crisis. Content analysis of CEO statements revealed critical obstacles in managing the risks and opportunities during the economic downturn.

**Key words:** Corporate Social Responsibility, Corporate Citizenship Initiatives, United Nations Global Compact, Economic Crisis, Corporate Governance

## INTRODUCTION

When the relationship between business and society is considered, firms face a conflict of interests between maximizing shareholder and stakeholder value (Garriga & Mele, 2004; Centindamar & Husoy, 2007). From one perspective, some claim that CSR, defined here as the voluntary actions taken by a company to address economic, social, and environmental impacts of its business operations and the concerns of its principal stakeholders, helps to meet objectives that produce long term profits. From another, it is claimed that CSR is a step toward a decent society because companies are doing what is ethically correct. It seems the UN Global Compact initiative (or GC), as a CSR mechanism, aims to fulfill both. It is argued, however, that the context of business in society has dramatically altered as a financial and governance crisis continues to challenge such CSR efforts (EABIS, 2009). Moreover, it is stressed that the integration of corporate responsibility through networks and corporate citizenship initiatives is ever more necessary especially in these challenging times (UNGC, 2008). But, what happens when CSR-driven firms experience significant, even turbulent discontinuities within their systems? How do they communicate the obstacles to their CSR efforts, and what are their strategic plans (if any) to cope with these uncertain times? The purpose of this paper is to seek an understanding on the impact the current economic crisis has had on the CSR strategies of US organizations. To this end, the paper examines the following two questions:

- (1) Under challenging financial and economic conditions how are firms' corporate responsibility and CSR maturing strategies being affected?
- (2) What are the reported obstacles and consequential impacts for continuing to build longer-term sustainability and stability?

We not only aim to broaden our understanding of the role of business and non-business actors in society in dealing strategically and responsibly with environmental, social and governance challenges; we also seek an understanding of the role of the GC in dealing with these efforts during the economic crisis.

We continue by providing a literature review and background to the GC. Next, we discuss the academic research and empirical inquiries on this initiative. Considering the impacts of the economic crisis on CSR efforts, we focus on three central ideas, or propositions that present the core of this research: CSR integration, presence or absence of organizational resources, and conformity to the integration of UN GC Principles. We then conduct a two part methodology in an attempt to draw some conclusions as to the impacts CEOs are reporting to their CSR efforts as a result of the economic crisis. Finally, we integrate our findings, discuss the role of the GC in times of crises, and offer some insights on implications for future research.

## **REVIEW OF THE LITERATURE**

We analyzed the existing literature within areas of (including, but not restricted to) corporate social responsibility (Carroll, 1989), networks and organizations (Granovetter, 1982), corporate citizenship initiatives (Hamann, 2007), economics and crises (Rogoff, 2003), centuries of global financial meltdowns (Reinhart & Rogoff, 2008), and global and corporate governance (Forman & Segaar, 2006; Therien & Pouliot, 2006). During the preliminary literature review, it became evident that empirical research on CSR initiatives was limited, especially regarding the GC. From the time of its inception in 2000, the GC has not been deeply investigated nor comprehensively assessed (Kell & Levin, 2002; Welford, 2004; Ruggie, 2004). With the exception of a few empirical assessments (Cetindamar & Husoy, 2007; Arevalo & Fallon, 2008; Runhaar & Lafferty, 2009), studies concerning practical CSR applications have not been

prominent during this first decade of the 21<sup>st</sup> century. One reason for the lack of empirical evidence on the contribution of the GC to CSR efforts might be that it has been perceived as a relatively new initiative. However, there are other CSR initiatives that have not been investigated empirically, either (Cetindamar & Husoy, 2007). Thus, a significant research opportunity exists to develop conceptualization frameworks that identify distinct conditions of successful integration of CSR practices and the consequential impacts or outcomes associated with economic crises.

### **The GC – Brief Background**

Launched in July 2000, the GC is both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices (UNGC, 2007). As a multi-stakeholder leadership initiative, the GC seeks to align business operations and strategies with ten universally accepted principles (see table 1 for the list of UN Principles) in the areas of human rights, labor, environment and anti-corruption (Cavanaugh, 2004; Runhaar & Lafferty, 2009), and to catalyze actions in support of broader UN goals (Ruggie, 2004; Arevalo & Fallon, 2008). It is the world's largest voluntary corporate citizenship initiative, with over 6942 signatories based in more than 130 countries – of which 271 participants (business and non-business) are located in the United States (UNGC, as of June 6, 2009). Participation in the GC is by far greatest in Europe, comprising close to 45% of all signatories. In the last decade the GC office has put in much time and effort to attain US membership, but attempts proved difficult due to three obstacles: (1) fear of potential legal liabilities as a consequence of signing the letter of application, (2) concerns about the implications of the Compact's labor rights provisions, and (3) a relatively lower assessment of the potential benefits of association with the UN (McKinsey, 2004; Cetindamar & Husoy, 2007).

In part, the GC is a voluntary initiative for a number of reasons. Prior to the GC, the UN experienced an almost permanent financial crisis that served as a driving force to seek new and constructive funding solutions. Therefore, the private sector seemed a viable option for becoming part of a voluntary corporate governance within a non-regulatory paradigm (see Bull *et al.* 2004 for an overview of the GC's background). The UN also reported a poor track record in regulating transnational companies through codes of conduct and its inability to monitor and enforce compliance. However, two benefits have been identified by the voluntary approach of the GC. First, it is believed that a voluntary approach may enhance CSR above levels that could be negotiated upon in the case of a regulatory framework. Second, through its forum, business participants are inspired to open dialogue and share learning (Ruggie 2001; Kell 2005); as well as operationalize the 10 universal principles (See Table 1).

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Insert Table 1 about here  
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The GC has also experienced some drawbacks. Similar to other voluntary initiatives, it is recognized that business participants do not always follow a philanthropic discourse, and inevitably, there is always the risk of 'bluewashing' attached to their membership. Critics also feel that a good number of companies seek to positively influence their image through association with the UN, while failing to bring their CSR strategies to higher levels. To increase transparency of its business participants, and to reduce the risk of bluewashing, the GC requires active communication from member companies via annual Communication on Progress reports (or CoPs). These reports document companies' progress during principles implementation as well as business activities and are considered an enforcement mechanism for the GC.

## **ACADEMIC RESEARCH ON THE GLOBAL COMPACT**

From its inception, the GC has received both academic interest as well as wide attention and criticism from some sectors of civil society. The academic literature finds the GC discussed in a variety of issues among a number of research areas including: an initiative offering private sector involvement with the multilateral system of the UN (Utting, 2000), a project for enhancing corporate citizenship (Fussler, 2004), a major turn in development thinking for promoting sustainable development and epitomizing global governance (Therien & Pouliot 2006), a strategy for developing global codes of business conducts and global business ethics (Cavanaugh 2004), a framework for corporate responsibility (Leisinger 2007), an instrument for governing corporate behavior (Whitehouse 2003), and as an approach from national to more international governance arrangements (Gouldson & Bebbington 2007). While the majority of the literature is understood as supportive of the voluntary role of the GC, few authors have discussed the real imprint and actual expected outcomes of the initiative (Cetindamar & Husoy 2007; Arevalo and Fallon 2008; Runhaar & Lafferty 2009). Much of the criticism and pessimistic expectations originate from NGOs who have insisted that many business participants abuse the UN's reputation by improving their image and offering no real commitment as to transparency and compliance with the ten principles (Hemphill 2005).

Only a few empirical evaluations have been conducted on the GC and its contribution to CSR. One of the earliest assessments was directed by McKinsey and Company (2004) with the aim to provide the initial impacts of the GC. Through a survey, the study found the GC as a facilitator and accelerator with regard to already existing CSR strategies. The GC was not found to trigger many of its participating companies with the development of new CSR strategies. A later study concerns the learning processes among companies triggered by GC participation

(Vormedal 2005). It was concluded that the various mechanisms used by the GC in its learning forum have actually provided different forms of learning for many of its sectors. Another study examined the motives behind joining the GC and its resulting impacts (Cetindamar & Husoy 2007). It was revealed that the main reasons, among others, for participants to join the initiative were: to improve corporate image, to distinguish themselves from other companies, to be a part of sustainable development efforts, and overall, to be a good citizen. The study also found that GC membership has led to better network opportunities (Cetindamar & Husoy 2007).

In July 2007, the GC itself attempted to provide both a quantitative and qualitative look at the various ways in which the initiative is functioning, and, in many cases, progressing. This first ever Annual Review does indeed document much of the relevant key actions of its actors and offers an encouraging mosaic of activity in the multiple areas the initiative is pursuing a more sustainable and inclusive global economy (UNGC, 2007). However, a thorough critique of this review revealed the failure to make a point of actively and thoroughly evaluating the real impact the GC has on CSR practices (Arevalo & Fallon 2008). The authors found the self-assessment falling short of providing clear and concise interpretations of its data, as well as failing to even attempt to report changes in corporate responsibility due to GC influence. A recent study by Runhaar and Lafferty (2009) takes a look at the contribution of the GC to the CSR strategies in the telecommunications industry. By focusing on front running companies for their case studies, the authors found that learning in networks appeared to be the most important contribution of the GC. The results also show that the GC is only one of the many initiatives that these companies employ in shaping, implementing, and reporting about their CSR strategies.

It appears that the GC has attracted both positive and negative judgments, gradual academic interest as far as its role in business and society, and growing inquiries pointing to the

real impacts of its CSR mission. To date, however, no investigation exists as to the reported challenges current participants of the GC are facing in times of crisis. It remains also unclear what the role (s) of CSR initiatives is (are) during such challenging times. Based on a pilot communication to GC participants (see methodology) we developed an interest in three specific areas: CSR integration, organizational resources, and the actual implementation of UN Principles. In this context, we will examine the following hypotheses:

**Hypothesis 1** The CSR efforts of GC participants that pursue CSR integration strategically (by integrating CSR into their policies, programs, performance, and goals) will be affected more by the current economic crisis.

**Hypothesis 2:** The CSR efforts of GC participants that have more resources will be affected less by the current economic crisis.

**Hypothesis 3:** The CSR efforts of those GC participants reporting more conformity with the principles of the GC will be affected less by the current economic crisis.

## **METHODOLOGY**

To achieve the purpose of understanding how the CSR strategies of GC participants in the US have been affected by the current economic crisis, the study uses two empirical lenses. First, we conducted a mail questionnaire survey of sample of US participants. Second, we performed content analysis of CEO statements retrieved from CSR reports ranging fiscal years 2007-2009 from the same sample.

### **Method 1 - Survey**

We identified GC participants in the United States from the UN Global Compact website ([www.unglobalcompact.org](http://www.unglobalcompact.org)). There were 271 GC participants in the US as of June 2009. These included 63 companies, 40 NGOs, 112 SMEs, 2 City Organizations, 20 Business Associations, 31 Academics, 1 CSR Organization, and 2 Foundations. We accessed the contact information of these participants as of this date. Of the 271 listed, only 231 had complete information that we could verify. We developed the questionnaire based on existing literature and insights gained by means of content analysis mentioned above. To reduce respondent fatigue, we ensured the number of items were as small as possible.

To maximize response rate, we contacted the respondents four times. First, we contacted the person responsible for the GC at each organization via e-mail requesting participation in our survey. Second, we sent the survey to each of the 231 participants. Of the 231 mailed surveys 6 were undeliverable due to incorrect addresses. Third, we sent thank you/reminder letters to the remaining 225 companies. Fourth, after a period of about a month, we contacted all non-respondents via e-mail and requested them to participate in our study. We received 29 responses, for a response rate of 12.9%. Out of these, 5 had incomplete data, leaving us with 24 usable surveys (See Table 2).

Our initial e-mail communication to our sample of participants yielded 39 electronic responses where 23 participants (8 SMEs, 8 Companies, 5 NGOs, 2 Academics) indicated they would not be able to participate due to *lack of resources* and 4 (1 Company, 2 NGOs, 1 SME) indicated they were not interested in participating in the study. Twelve responses were positive and welcomed the opportunity to participate. Our second, third, and final communication yielded an additional 44 e-mails including 6 requests to re-send surveys (as lost in company mail), 9 requests for an extension to complete survey due to lack of time and work loads taking

priority, 8 confirmations of completion, and 21 referrals to the companies' CSR/Sustainability web pages to seek further information on their CSR practices. Many of the above declinations and referrals to corporate websites included statements reporting a strong commitment to *the integration of CSR and UN Principles* as well as indications of continued support and *active stewardship* towards the environment and anti-corruption.

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Insert Table 2 about here  
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Table 2 reflects the list of respondents to the survey including type of organization, title of individual responding to the survey, date the organization joined the GC, and the business category (or sector) of the organization. As indicated, at least 17 of the respondents hold an executive level position with the rest representing specific CSR/Sustainability or international relations appointments. Five NGOs did not list or provide a business category nor sector for their operations. In total, 2 academics (from 15), 1 business association (from 15), 7 large companies (from 60), 8 NGOs (from 35), and 6 SMEs (from 102) returned complete questionnaires.

## **Measures**

***Independent variables.*** Our independent variables were *CSR integration, organizational resources, and conformity to the principles* of the GC. For CSR integration, we used the average of four items. These items were “to what extent do you integrate Corporate Social Responsibility (CSR) a) into your policies?, b) into your various company programs?, c) into your performance evaluations?, and d) into your company goals?” To make the data more normal, we used a square root transformation of this variable. The Cronbach’s alpha for this measure was 0.79, which

exceeds the recommended cutoff of 0.7 (Nunnally & Bernstein, 1994), indicating internal consistency of the items.

For measuring the variable organizational resources, we used the average of six items. These items were “please assess your organization’s possession of the following resources: a) financial resources, b) physical resources (e.g. equipment), c) human resources, d) organizational resources (e.g. having well-established quality control systems and cash management systems), e) technological resources (e.g. unique technologies to produce quality products), and f) reputation.” To make the data more normal, we used a logarithmic transformation of this variable. The Cronbach’s alpha for this measure was 0.93, indicating good reliability.

For measuring conformity with the principles of GC (that is, the extent to which participants adhere to the principles of GC), we conducted a factor analysis of 10 items. We used the stem question, “as a GC participant, to what extent does your organization”, followed by each of the ten principles i.e. “support and respect the protection of internationally proclaimed human rights?”, for UN Principle 1 continuing with the rest of the principles (See Table 1). Factor analysis with varimax rotation yielded two factors. One factor contained the items 1) “undertake initiatives to promote greater environmental responsibility” (UN Principle 8), 2) “encourage the development and diffusion of environmentally friendly technologies” (UN Principle 9), and 3) “work against corruption in all its forms, including extortion and bribery” (UN Principle 10). This factor was named “conformity with active GC principles”. The other factor included the remaining 7 principles of the GC. Please see Table 1 for this list. This second factor was named “conformity with passive GC principles”

We did not expect two factors (conformity to active/passive GC principles) to emerge from the factor analysis, but a closer examination of the ten Global Compact principles suggests

that indeed, seven principles are written with more passive wording whereas three are written with more active wording. The passive principles used terms such as ‘uphold’, ‘support and respect’ and ‘make sure that’, whereas the active principles used terms such as ‘undertake initiatives’, ‘encourage the development and diffusion’ and ‘work against’ which suggests more proactive action on the part of the participants.

***Dependent variable.*** The dependent variable for the study is impact of the economic crisis on the CSR efforts of organizations. We used the average of four items: “to what extent has the current economic and financial crisis a) affected your human rights commitments, b) affected your labor practices, c) affected your environmental commitments, and d) affected your anti-corruption and society commitments?” To make the data more normal, we used a logarithmic transformation of this variable. Cronbach’s Alpha for this measure is 0.93, indicating good reliability.

***Control variable.*** We controlled for business category of each organization. To get this measure, we used a question in our survey: “what is the business category of your organization? 1) company, 2) SME, 3) foundation, 4) NGO, 5) business association, 6) CSR organization, 7) academic, 8) Other”. Since we had only 24 usable responses, we could not use more control variables as this would affect the reliability of our results.

### **Analytical Method and Data Analysis**

We used ordinary least squares regression analysis to test our Hypotheses. Before performing the regression analysis, we evaluated the likely extent of multicollinearity in our data. The correlations among our independent variables shown in Table 3 are generally low. We also evaluated the presence of multicollinearity in our data using additional diagnostic tests (Belsley, Kuh, & Welsch, 1980). The largest variance inflation factor is 1.65 well below the recommended cutoff of 10, suggesting that multicollinearity is not a problem in our data.

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Insert Table 3 and 4 about here  
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Table 4 shows the regression results for testing the hypotheses. Model 1 includes only the control variable. In model 2, we added the independent variables. Adding the independent variables significantly improved the model, as can be seen from table 4. Hypothesis 1 suggests that the CSR efforts of GC participants that integrate CSR into their policies, programs, performance, and goals will be affected more by the current economic crisis. From table 4, it can be seen that the coefficient for CSR integration is positive and significant ( $p < 0.05$ ), suggesting that the higher the integration, the more the organizations will be affected by the crisis. Thus our hypothesis is supported by data.

Hypothesis 2 suggests that the CSR efforts of GC participants that have more resources will be affected less by the economic crisis. The coefficient for organizational resources is not significant. Thus this hypothesis was not supported. Hypothesis 3 suggests that the CSR efforts of those GC participants reporting more conformity with the principles of the GC will be affected less by the current economic crisis.

As indicated in the section above, we obtained two factors, namely, conformity with active GC principles and conformity with passive GC principles. Table 4 indicates that the coefficient for conformity with passive GC principles is not significant. The coefficient for conformity with active GC principles is, however, negative and significant ( $p < 0.01$ ). This suggests that the higher the conformity with the active principles of GC, the less will these participants be affected by the crisis. Thus hypothesis 3 was partially supported.

## **Method 2. Content Analysis of CEO Statements**

Based on the initial electronic communication, recommendations made by the participants to visit their corporate websites, and the anticipated low-response rate due to the economic crisis itself, we conducted content analysis on a sample of CEO statements retrieved from CSR communications to the GC – or Communication on Progress reports (CoP). As a commitment when they join the GC, companies are required to produce an annual report indicating their continued commitment to the initiative, a description of the actions taken to implement the UN Principles, and a measurement of outcomes as a result of the implementation. Our aim was to broaden our understanding on one particular area of concern. We wanted to obtain feedback on the practical concerns managers were reporting to the public during these challenging times, a question we had also directed to the CEO in our questionnaire (method 1).

138 CoPs (ranging fiscal years 2003 to 2009) were posted on the UN Global Compact website by 54 participants as of June 2009. These included 112 CoPs by 38 companies, 23 CoPs by 14 SMEs, 2 by 1 academic institution, and 1 by an NGO. Used for content analysis were 54 CEO statements corresponding to fiscal years 2007 to 2009, a time frame we estimated would yield information on signs of an economic crisis. At least 1 CoP was identified for each of the 54 reporting participants. The research method that is most commonly used to assess organization’s social and environmental disclosures (via CSR reports, annual reports etc.) is content analysis – a method of codifying the text (or content) of a piece of writing into various groups (or categories) depending on selected criteria (Weber, 1988; Krippendorff, 1980). CEO statements found in the selected CoPs ranged 1 full page, to approximately four pages in length and were all found in the beginning of the CSR report or CoP.

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Insert Table 5 about here  
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Table 5 lists the topics CEOs provided in their statements to the GC. In the initial coding, 32 statements (by 22 Companies, 8 SMEs, 1 Academic, 1 NGO) briefly acknowledged there was an economic crisis but no specific feedback was offered on impacts or participants' measures being taken towards that end. After a second round of coding, 7 statements (from 3 Companies, 4 SMEs) were found to be inconclusive as an economic crisis was addressed, challenges and opportunities were mentioned, but no specific content was found describing what those were. In the final stage of coding, 15 statements (see Table 5) presented the most detail as far as addressing direct impacts by the economic crisis and more description was offered as to how the top manager was addressing the situation. Three measures were used for the analysis: *reported challenges or concerns*, *opportunities*, and *strategies* reported as a result of the economic crisis (coded 0 for none, 1 for every occurrence). It became evident that companies were providing more feedback in these areas than participantsg in the non-business sectors (See Table 5).

## **FINDINGS AND DISCUSSION**

CSR initiatives are expected to encourage voluntary cultural and managerial change in firms that will create the basis for sustainable development. Our aim was to investigate the obstacles and limitations the current economic crisis has caused on such efforts, particularly for GC US business participants. A key criticism of the UNGC has been that some companies adopt the UN Principles, but never use the principles in actual practice, that is, that there is the risk of 'bluewashing' attached to their membership. Needless to say, the current economic crisis does nothing to improve the situation.

The brighter aspect, however, is that there are some sectors who are actually using the crisis as an opportunity for improving their current CSR efforts. Some of the respondents to our survey suggested that challenging times such as the present should be cause for embracing, not

rejecting, socially responsible practices. These companies were likely doing well with regard to CSR even before the crisis. This prompts the conclusion that at least some companies who were progressing in the CSR arena will continue to do so or better in their CSR efforts and others who were not progressing will be negatively affected in their CSR efforts by the current economic and financial crisis.

In this study, we found empirically that the CSR efforts of those participants of the GC that have integrated their CSR into their policies, programs, performance, and goals and those with lesser conformity to the active principles of the GC will be affected more by the economic crisis. With regard to the first finding, this suggests that if an organization's CSR efforts are integrated well into the organization's fabric, then it is more likely that these efforts would be affected more when an economic crisis strikes. It seems the more a company has invested, or if it is fully vested in CSR practices, the impacts of the economy will dictate its investments. Our findings suggests that those organizations without such integrated CSR levels or matured stages in CSR might not be reporting the same impacts as those with higher CSR integration.

With regard to the second finding, we found that the CSR efforts of those participants making proactive efforts at implementing CSR (conforming to the active GC principles) are affected less by the crisis. We did not find an effect of more conformity to passive GC principles on the impact of the crisis on CSR efforts. Thus a more proactive approach as opposed to a lesser proactive approach results in increased ability to cope with crises.

Contrary to our expectations, organizational resources did not significantly predict the impact of the economic crisis on the CSR efforts of GC participants. This seems to suggest that no matter the amount of resources participants possess, they are all affected by the crisis. Indeed, one of the factors we attribute our lower response rate to is the lack of resources by GC

participants to participate in surveys such as ours' at a time of economic challenges. Understandably, the purpose of our second methodology was to seek alternative feedback perhaps even more detail as to how CEOs were coping with the crisis. In this respect, we organized the content of CEO statements along three areas: challenges and/or concerns, opportunities, and strategies. We analyzed them in clusters that would describe the impacts on a global, company, and individual level. In terms of operating in a global market place, four industries reported direct impacts to their operations: Automobiles/Auto Components, Chemicals, Technology Hardware and Electrical Equipment, and Metals and Mining. Among the list of concerns, some were of critical nature i.e. foreign currency translation, bankruptcy of suppliers, pricing pressures from larger customers, climate change, water, clean energy, world affairs and business politics were among the most commonly reported. What strategies did these CEOs report would help in the process? The ones listed as top priorities were: a) building strong leadership teams, b) applying innovation to solve the most complex global problems, c) forming partnership with NGOs, d) maintaining core commitment to global citizenship, e) engaging in global dialogue on human rights, f) and joining global discussions on climate change.

At the company level, concerns such as corporate governance, community service, diversity, employee relations, organizational and economic change, energy conservation, integration and internal operations, project management, all seemed to be of concern to the CEOs. In response to these continued commitment to CSR seemed the best strategy for a few. Only three statements discussed how the CEOs were encouraging clients to push the boundaries of the CSR programs, developing goals based on CSR, and seeking natural results through CSR efforts. An encouraging comment by a CEO in the Oil & Gas industry confirmed the company's objective to continue to explore and develop projects so that the amounts of contribution to

health, education and community development would not feel the effect of the crisis. No statement made reflections on the individual manager, nor on organizational ethics. Instead, only a few addressed areas of strategic strengths through innovation and human intellect, attracting and retaining talent, and emphasis on work-life balance, strengthening of teams, collaboration and growth through employment development. Perhaps the best example for a strategy going forward in the downturn of the crisis is shared by the CEO in the Automobiles and Auto Components (see Table 5). Experiencing the worst impact any industry could report by the crisis, his suggestion was to invest in innovative and sound solutions by building strong leadership teams. These would comprise the development of highly potential managers to take care of the most critical challenges ahead: safety, supply chain, global governance, and best practice sharing between industries and business.

Our findings bring us to the discussion on the initiative itself. What do CSR, corporate citizenship initiatives, and or CSR organizations do for their members during an economic crisis? What are the proactive measures being taken to insure that their participants are being aided in a time of crisis? One item in our questionnaire (method 1) inquired whether the CEO or CSR contact point for the organization receives feedback from the GC head office on the information disclosed in their CoPs. From the 29 responses received, not one respondent checked the Yes option. A second item questioned whether a GC contact was appointed to the participant's locality or region – or whether GC representatives maintain continued contact with them as members. Many indicated, they had never met with anyone from the GC.

In analyzing some of the comments collected by our survey, we encourage CSR driven initiatives and corporate citizenship institutions and centers to step forward and find innovative ways to address crises. We suggest that the United Nations, specifically the UN Global

Compact, help prepare companies to respond to and handle crises such as the current one so that its supporters can become more resilient as far as their CSR efforts are concerned. The networks that the participants have access to could be used as a platform for educating participants in handling challenging situations such as this to enable them to continue with their CSR efforts. One of the respondents to our survey indicated that the UN should provide more benefits and opportunities to the participants, especially smaller organizations. Such efforts would enable participants to gain more by participating in the UNGC. This will also help in increasing the number of organizations that join the GC and ultimately help in improving the social responsibility of business and non-business organizations.

The purpose of this study was to understand the impacts of the economic crisis on CSR efforts of business and non-business actors engaging a CSR initiative or network. Although our intention was to conduct only one methodology, the crisis itself gave us an opportunity to provide an additional qualitative evaluation of the responses these actors are reporting during these challenging and uncertain times. Our research experience, in itself, may describe a new model for conducting empirical examinations. The limitations of this research provide anchors for future research. First, under stable economic times it is difficult to engage the business sector in participating in academic research projects. During the crisis, the situation does not improve as those who do participate are distracted. Many of our communications to the participants of the GC were in fact received, acknowledged, and in many cases reviewed by the CEOs, CSR and Sustainability (or GC appointed heads), officers. However, lack of resources and pressing company commitments, among other reasons, distracted the importance of completing our survey. The strength in such situations is that it allows us to explore new methods and designs.

The weakness is that it does not permit a researcher to make valid speculations about the relative efficacy of the reported measures CEOs are reporting in times of crises.

Second, conducting research on a relatively large sample of companies can be a costly proposition for academic institutions especially as they themselves are cutting budgets and limiting the amount of grants, and the amounts of these as well. In this study, we focused on a relatively small sample of companies and limited the geographic to GC participants located in the United States. As our research shows focusing on the CSR efforts of only one group within the GC population, and the activities of one CSR network, does paint an incomplete picture—especially given the amount of CSR initiatives operating worldwide. Future research should expand on this effort by conducting observations on participants located in other countries, different markets and economies, and specifically firms which channel their CSR interests and commitments in developing regions.

Finally, in this research we attempted to uncover how the corporate responsibility and CSR strategies of GC participants were being affected. In spite of our efforts to validate the accounts offered by participants via CEO statements, this research is subject to the biases associated with self reporting and the legitimacy of CSR reports. The strength, however, with the approach we have made is that as scholars we took the initiative to communicate, discuss their efforts, hear from them directly, and learn of the practical managerial concerns we all face as we go forward.

**Table 1**  
**The Ten Principles of The UN Global Compact**

**HUMAN RIGHTS**

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

**LABOR**

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

**ENVIRONMENT**

- Principle 7      Businesses are asked to support a precautionary approach to environmental challenges;  
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 corruption in all its forms, including extortion and bribery.

Source: UNGC Annual Review (2007).

**TABLE 2**  
**Survey Response Statistics**

<b>Type</b>	<b>Survey Respondent</b>	<b>Joined GC</b>	<b>Sector</b>
Academic	Professor, Director, Alliance for Ethics	1/26/2007	Education
Academic	Associate Dean	1/8/2008	Education
Business *	Managing Director/CEO	5/5/2008	not specified
Company	Manager, Intl. Govt. Relations	3/14/2006	Food & Drink
Company	Chief Sustainability Officer (SVP)	3/9/2007	Technology Hardware & Elect. Eq.
Company	Manager, Sustainable Business Devp.	5/1/2008	Automobiles & Auto Components
Company	Director, Sustainable Development	5/10/2001	Chemical
Company	Chairman and CEO	5/26/2006	Telecommunication
Company	Member of Management Group	6/12/2007	Professional, Scientific & Tech. Svs.
Company	VP, CSR and Community Partnerships	8/23/2001	Finance & Insurance
NGO	President	11/12/2006	Aerospace & Aviation
NGO	President	11/19/2003	Food & Drink
NGO	Executive Director	12/18/2006	not specified
NGO	Vice President	5/14/2007	Food & Drink
NGO	VP-External Relations	5/21/2003	not specified
NGO	VP, Corporate Relations	5/21/2003	not specified
NGO	President and CEO	5/6/2008	not specified
NGO	Manager Humanitarian Programs	6/19/2008	not specified
SME	President	10/8/2007	Construction & Engineering
SME	President	12/19/2008	Food Producers
SME	Chief Evolution Officer (CEO)	12/21/2001	Media, Communications & Entertain.
SME	President	3/11/2008	Automobiles & Auto Components
SME	President	3/7/2008	Paper & Forest Product
SME	President	5/14/2007	Construction Materials

\* designates a Business Association

**TABLE 3**  
**Means, Standard Deviations, and Pearson Correlations**

	Mean	SD	1	2	3	4	5	6
1 Impact of the economic crisis on CSR efforts <sup>a</sup>	0.23	0.18	1					
2 CSR Integration <sup>b</sup>	1.47	0.34	0.40	1				
3 Organizational Resources <sup>a</sup>	0.42	0.19	-0.27	-0.13	1			
4 Conformity with passive GC principles <sup>a</sup>	0.29	0.18	-0.08	0.32	0.14	1		
5 Conformity with active GC principles <sup>a</sup>	0.31	0.17	-0.63**	0.05	0.27	0.08	1	
6 Business category	2.54	2.28	0.14	0.45*	-0.37	-0.08	0.17	1

<sup>a</sup> Logarithm transformation

<sup>b</sup> Square root transformation

\*\*  $p < 0.01$

\*  $p < 0.05$

**TABLE 4**  
**Results of Regression Analysis<sup>a</sup>**

	<b>Dependent Variable: Impact of the economic crisis on CSR efforts<sup>b</sup></b>	
	<b>Model 1</b>	<b>Model 2</b>
<b>Independent Variables</b>		
CSR Integration <sup>c</sup>		0.25* (0.11)
Organizational Resources <sup>b</sup>		-0.01 (0.18)
Conformity with passive GC principles <sup>b</sup>		-0.18 (0.18)
Conformity with active GC principles <sup>b</sup>		-0.68** (0.19)
<b>Control Variable</b>		
Business category	0.01 (0.01)	0.001 (0.02)
<b>F-Test</b>	0.34	4.38*
<b>R<sup>2</sup></b>	0.02	0.61
<b>Adjusted R<sup>2</sup></b>	-0.04	0.47
<b>R<sup>2</sup> Change</b>		0.59**

<sup>a</sup> Values are unstandardized coefficients. Standard errors are in parentheses.

<sup>b</sup> Logarithm transformation

<sup>c</sup> Square root transformation

<sup>†</sup> p < .10    \* p < .05    \*\* p < .01

**TABLE 5**  
**Content Analysis – CEO Statements**

CoP Period	Type Sector	Impact of Crisis Topics addressed by CEO
2008	Company Real Estate	Six areas of greatest <b>concern</b> : governance, ethics and compliance, philanthropy and community service, diversity & employee relations, health & safety and environmental stewardship.
2007	Company Professional Scientific & Technical	Three areas for <b>strategy</b> in sustainability: harnessing innovation & human intellect, project management, integration & internal operations.
2008	Company Software & IT	Three areas of <b>concern</b> : social, organizational & economic change. <b>Strategy</b> proposed: network enabled innovation and collaboration.
2007	Company Food & Drink	Two areas of <b>concern</b> : energy conservation & climate change. <b>Strategy</b> : quick & effective responses thru responsible and sustainable business.
2007	Company Chemical	Three <b>challenges</b> in global marketplace: climate change, water, clean energy, and ecosystem protection.
2008	Company Metals & Mining	Three <b>strategies</b> to help in the economic downturn: Sustainable practices, investing in R&D to create more friendly products, developing bold goals based on CSR.
2008	Company Oil & Gas	<b>Strategy</b> : to continue exploration & production projects, Three areas of <b>no-impact</b> : amounts of contribution to health, education and community development.
2008	Company Technology Hardware & Elect. Equip.	<b>Strategy</b> : maintain core commitment to global citizenship. Develop solutions for low carbon economy, tighten standards in their supply chain, protect against unethical suppliers.
2008	Company Automobiles & Auto Components	<b>Challenges</b> : pricing pressures from their larger customers. Impact of lower North American automobile production. Impact of foreign currency translation in Europe. Overall industry conditions (bankruptcy & ceased operations) have resulted in providing financial support to distressed suppliers <b>Opportunities</b> : finding innovative and sound solutions in these times of crisis. <b>Strategy</b> : building strong leadership teams for the future by developing high potential managers who will address: safety, supply chain, global governance, and best practice sharing between businesses.

**TABLE 5 - Continued**  
**Content Analysis – CEO Statements**

CoP Period	Type Sector	Impact of Crisis Topics addressed by CEO
2007	Company Professional Scientific & Technical	<b>Strategy:</b> natural results and continued commitment to CSR. Based on the need of the current labor market, an <b>opportunity</b> was taken to strengthen their workforce development and continued support of their vocational training programs where company operates.
2009	Company Metals & Mining	Greatest <b>challenge:</b> ensure the health & safety of their employees and wider community. <b>Strategy:</b> invest in managing those community relationships more effectively. Invest in employee training, engage in global dialogue on human rights, and join global discussions on climate change.
2009	Company Technology Hardware & Elect. Equip.	<b>Concerns:</b> business, politics, world affairs, the arts, the sciences - as all subject to monumental transformation. <b>Strategy:</b> Innovate, act, and share. Apply innovation and creativity to solve world's most complex problems. Putting into action courageous thinking.
2008	Company Food & Drink	<b>Planet challenges:</b> economic and environmental. <b>Strategy:</b> being seen, in perception and in reality, as part of the local fabric of the community in which they operate. Forming new partnerships with NGOs and set new goals around water stewardship, sustainable packaging, energy use & climate protection.
2008	SME Food & Drink	<b>No impacts</b> reported by the crisis. CEO states the <b>challenges</b> are being faced by the bigger companies.
2008	SME Professional Scientific & Technical	<b>Challenges:</b> changing times. <b>Strategies:</b> attracting and retaining talent, encouraging clients to push the boundaries of the CSR programs, shaping the field of responsible sourcing, and continued internal emphasis on four themes: work-life balance, strengthening their teams, collaboration and growth.

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