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SOCIAL RESPONSIBILITY DISCLOSURES--COMMUNICATION  
IN SELECTED ANNUAL REPORTS

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SOCIAL RESPONSIBILITY DISCLOSURES--COMMUNICATION  
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It is difficult to suggest when the impetus for increased social reporting began, even more so because there is no consistency in terminology to describe it. For example, the plethora of terms and phrases describing the effect of business on society includes "social disclosures"; "corporate public policy"; "social responsibility disclosures"; "corporate social performance"; "codes of conduct"; "corporate social reporting"; and others. The point is that society wishes to know what steps business has taken to communicate how their activity has affected life beyond simple economic considerations.

In essence, there has been an increase in support--some say since the early 1960s--for the idea that society has the right to know what impact business has had on all factors relating to our way of life. Toffler suggests that "instead of the single 'bottom line' on which most executives have been taught to fixate, the Third Wave corporation requires attention to multiplying bottom lines--social, environmental, informational, political, and ethical bottom lines, all of them interconnected."<sup>1</sup>

Quality of life, then, has become interwoven with the economic concerns of business. In other words, individuals, groups, even political issues and governments, have begun to press for an answer to the question: what is the social cost of further economic development of a company? The head of the International Institute for Environment and Society, in Berlin, suggests that four developments have helped propel business toward a consideration of social change:

1. The tremendous volume of publications discussing the need for reorientation of society and the ecological burden of mounting industrial production as well as the growing depletion of natural resources.
2. The rapid growth of citizen groups demanding participation in decision-making in areas such as industrial location, as well as the nuclear power debate.
3. The reorientation of major unions away from the traditional demands of higher wages and reduced working hours, to an emphasis on the importance of a humane work environment for human health and intellectual and personal development.
4. The increasing attention these concerns receive in the general media.<sup>2</sup>

We shall spend more time on possible causalities later in this paper, but we do wish to mention that scholarly and popular publications included social statements from across all strata of society, including shareholders.<sup>3</sup> It is not incorrect to suggest that the years between 1964 and 1979 were marked by social turmoil and social change with social movements, groups, and politicians directing criticism against business and its profit motive. Noneconomic goals were hard to measure, and managers were slow to respond to the attacks of the antiwar groups, the environmentalists, the civil rights movement, the women's organizations, and others. Slowly, social communication began to appear under the imprimatur of business annual reports.

During the year ending July 1964, the Business Periodical Index listed no articles under the topic of social aspects of business.<sup>4</sup> But during the year ending July 1979, there were 71 such articles listed.<sup>5</sup>

Thus the purpose of this paper is to investigate how business has increased its communication, to internal and external constituencies, in the form of social responsibility disclosure,--that is, disclosures of corporate activity which are not directly attributable to the profit motive and which may be considered philanthropic or otherwise socially responsible. Our study

will be comparative in nature, selecting the year 1964 as the initial year for analysis and the year 1979 as the terminus. Our analysis will be threefold: (1) a brief review of literature and activities relating to the topic; (2) quantification and analysis of our pilot study; and (3) possible attributions as to the reasons behind the increased demand for social disclosure communication by business.

#### LITERATURE AND ACTIVITY

Ignition of an increasingly skeptical public has no single spark; it is a melange of numerous forces resulting in the addressing of questions to business. Bowen<sup>6</sup> early discussed the concept of social responsibility; Votaw and Sethi<sup>7</sup> examined the need for business to react to its changing social environment; a host of writers and publications<sup>8</sup>--Business Week, Votaw, Goodman, McKie, Management Review, and Steiner--illustrate that people were becoming increasingly hostile and skeptical toward business.

Problem-solving approaches which would put business in a more favorable light were proposed by Humble;<sup>9</sup> Hoadley<sup>10</sup> and Biegler<sup>11</sup> advocated educating the public about the corporation; Andrews<sup>12</sup> suggested weaving social responsibility into the structure of the corporate management, as did Chase,<sup>13</sup> Greenwood,<sup>14</sup> and Davis.<sup>15</sup>

Authors from both government and academic backgrounds have attempted to lay down quantitative frameworks for social accounting, but have been forced to acknowledge the nebulosity of the topic and the problem of applying uniform standards across differing industries. Attempts have been made to resolve the problem. A symposium at the University of Kansas under the title of "Accounting and Corporate Social Responsibility" was held in 1977 and included a mix of the theoretical and practical. The titles of the papers are

worth noting: "A Corporate View of Social Responsibility"; "Do Corporations Have a Responsibility to Society?"; "Accounting for Social Costs of Business: An Entry Market Price Based Approach"; "Towards a Behavioral Understanding of Corporate Social Responsibility: Implications for the Design of Managerial Accounting Systems"; "Accounting in a Nonmarket Economy: A Futuristic Look"; "Lessons from the Government: Some Reflections on Social Measurement"; "Social Services of Nonprofit Organizations: Issues and Accounting Measurement"; "The Corporate Social Accounting Model: An Information System for Evaluating the Impact of Corporations on Growth, Resource Use, and Specific Constituent Groups Within Society"; "A Preliminary Analysis of the Relative Importance of Information Related to Selected Corporate Social Responsibility Activities."<sup>16</sup>

In 1971 Ernst and Ernst began an annual survey of the "extent and nature of social responsibility (SR) disclosure in the annual reports of the Fortune 500 Industrials."<sup>17</sup> Their material served as the touchstone against which we determined some of the categories for analysis. Their survey appeared yearly until 1978.<sup>18</sup>

Nor was the U.S. government silent on the issue of social responsibility. In 1961 Secretary Hodges (Commerce) initiated the Business Ethics Advisory Council, to suggest a high level of corporate standards of ethics and social responsibility; 1968 saw the establishment by the Department of Commerce of the National Alliance of Businessmen, to promote the hiring of the hard-core unemployed; in 1971 the National Business Council for Consumer Affairs was formed as a Department of Commerce advisory council to aid businesses in alleviating consumer concerns; Secretary Richardson (Commerce) also appointed an advisory council of business, labor, education, and consumer groups to review corporate responsibility and other public policy issues; and in 1979

the Department of Commerce published the Report of the Task Force on Corporate Social Performance entitled Corporate Social Reporting in the United States and Western Europe.<sup>19</sup>

The American Accounting Association gave this charge to the Committee on the Measurement of Social Costs:

The charge to this committee consists of two related parts: (1) to identify one or more of the most critical issues that currently face those who are teaching and/or doing research in the committee's area of interest and prepare (or commission) brief statements setting forth the alternative positions with respect to those issues, (2) to plan and conduct, at the Association's Annual Meeting in Quebec, a 90-120 minute discussion based on the brief statement of alternative positions and designed to elicit the views and reactions of those in attendance to the fullest possible extent.<sup>20</sup>

The result of that charge was a report which offered suggestions for communication with constituencies and possible ways to measure the social impact of business. The final statement of the report suggests the tone: Perhaps most important is that the new kinds of information may help managers to understand more clearly the potential relationships between improvements in employees' quality of life and the benefits to the corporation of investments in people.<sup>21</sup>

While no single approach to social measurement has been adopted consistently, the Committee for Economic Development has identified the first five of the following approaches and the Department of Commerce the other two.<sup>22</sup>

1. Cost of Outlay Approach

- Seeks to identify the costs of social activities and determine whether amounts involved are appropriate
- Difficult to determine all costs relevant to corporate social action
- Approach not widely used by corporations

2. Human Asset Evaluation Approach

--Attempts to measure the value of the productivity capability of the firm's human organization and the loyalty of the firm's employees and others affected by a company's social performance

--Not widely used because approach does not state benefits in terms that are meaningful to constituencies outside the corporation

3. Cost/Benefit Approach

--Dr. Clark Abt's model which seeks to assess benefits to society (assets) and costs to society (liabilities) of actions taken or not taken

--Critics suggest that conclusions based on this approach are too subjective. However, GM, for example, has used a variation of cost/benefit in its social reports

4. Inventory Approach

--Attempts to identify and describe either social impacts of normal business activities or special corporate programs intended to help solve social problems

--Considerable information presented; widely used in corporate social reports; often fails to include costs and benefits to a company or benefits to outside constituencies

5. Program Management Approach

--Attempts to catalogue specific costs and achievements in support, for example, of charitable contribution undertaken for social reasons

--Early user of this method was Bank of America

--Method normally used in relation to voluntary or philanthropic activities and not in relation to normal business activities which could have significant social impacts

6. Social Indicator Approach

--Involves two steps: determining measures of community well-being and then measuring corporate activity related to those community indicators

--First National Bank of Minneapolis was an early user of this method, using social indicators for internal social measurement and external reporting

## 7. The Process Audit

- Analyzes those social issues which impact or are impacted by the firm at the time of the audit
- Describes what is actually being done, measures performance where measures exist, and develops measures of performance where they do not exist

While the preceding information has been generated primarily in the United States, it is in Germany where significant advances have been made in social reporting, notably through Meinolf Dierkes of the International Institute for Environment and Society, Science Center, Berlin. An analysis of his work and that of others in Germany may be summarized under several headings:<sup>23</sup>

1. Discussion of social reporting in Germany paralleled the increasing discussions of corporate social responsibilities in the seventies.
2. Initial articles and research were predominantly theoretical and analytical in nature, depending on sources in the U.S. and applying the material to sociopolitical and cultural conditions in Germany.
3. Formal groups formed: the Business and Society Foundation in Frankfurt, "an institution established by business leaders to study social developments of importance to the business community"; the Social and Behavioral Science Division of Battelle-Institute; the International Institute for Environment and Society; and the Study Group on Practical Aspects of Social Reporting.
4. Research activity occurring in the academic community, in theses, articles, and books, led to the conclusion by Schreuder (1979) that Germany is probably the country with "the largest collection of elaborate, theoretically well-grounded models of social reporting proposed in the literature."
5. Implementation of social reporting has now been attempted in, for example, STEAG company, fiscal 1971-72, where an attempt was made to relate expenditures to specific societal benefits.
6. Other German firms have begun to employ social reporting for their constituencies.



One final section must be added to our discussion of the progress in communicating social responsibility disclosures: the names of some of the companies and organizations which have implemented some kind of disclosure procedure. The following are simply illustrative.

Eastern Gas and Fuel Associates: In the early seventies, then President Eli Goldston suggested that more attention be given to the social impact of his firm. Hence, in 1973, the company sent out to its shareholders a five-page report--Toward Social Accounting--which discussed social performance in the categories of industrial safety, minority employment, charitable giving, and pensions.

Atlantic Richfield: Two types of communications include reports on social performance: the annual reports which include a section entitled "Corporate Responsibility," discussing such topics as the environment, conservation, energy, and natural resources conservation. In addition, the corporation has also published a social report entitled Participation.

Norton Company: Jobs, minority employment, exports and contributions to the balance of trade, capital investment, charitable contributions, wages and benefits paid to employees, and tax paid to the government are some of the themes discussed in Accountability, a supplement to the annual report.

Bank of America: In 1976 BankAmerica Corporation adopted a code entitled "Voluntary Disclosure Code," given impetus by the chief executive of the corporation, A. W. Clausen. In brief, the code suggests the constraints involved and the seven principles to be followed in applying the code. Since 1972, the Bank has published an annual report entitled Community and the Bank, wherein themes such as housing and community development, consumer affairs, small business, education, and other topics are discussed.

General Motors: The Public Interest Report has been published by the corporation since 1971. And while one would expect heavy emphasis upon topics relating to the automotive world--they are there--themes similar to those found in the reports of nonautomotive industries also find a place: community relations and charitable contributions; corporate ethics; environmental protection; equal employment; and others.

Aetna Life and Casualty: By 1972 Aetna had produced the third in a series of statements on corporate social responsibilities, including discussions on such topics as steps taken to reduce medical costs, efforts to enact no-fault auto insurance, and the social implications of Aetna's investment activities.

Other Companies: Rather than rehearse the similarities and differences between other companies, we have simply included an illustrative list, which readers may wish to consult for further amplification:

--First National Bank of Minneapolis

--Control Data Corporation

--Digital Equipment

--International Business Machines

--Litton Industries

--Sperry Rand

--Allis Chalmers

--Black and Decker

--Carrier

--Caterpillar Tractor

--Clark Equipment

--Deere

--Tecumseh Products

--Brunswick

--Twentieth Century-Fox  
--Coca-Cola  
--Seagram  
--Citicorp  
--First Chicago Corp.  
--Harris Bankcorp  
--National Bank of North America  
--Franklin Life  
--John Hancock Mutual  
--State Farm Life  
--United Benefit

Thus the conclusion is that a considerable amount of writing, speaking, and reporting has taken place, not only in the United States but throughout the world, on this topic of social disclosure. The annual report to stockholders has been a major vehicle, as have been special reports, all attempting to inform--we suspect persuade--persons within and without the company that steps are being taken toward social accountability.

At this juncture, however, the reader has no idea as to the relative increase in disclosures over a period of time, nor which concepts have assumed increasing importance as society asks for more disclosure of social information from corporations. To respond to that observation, we turn to reporting the results of our investigation.

QUANTIFICATION AND ANALYSIS OF DATA BETWEEN  
1964 AND 1979 ANNUAL REPORTS

Methodology

We selected 1964 as the initial year for our analysis because it represented a time when social consciousness was beginning to be reflected in annual

corporate reports; as the comparative terminal year, we chose 1979, by which time numerous companies had made some kind of social responsibility statement.

The annual report was selected as the vehicle for analysis: it is relatively available, it is written for both the internal and the external constituencies, and it is a communication to which considerable time and thought regarding format and content is given.

The Industrial, Transportation, and Utility stock list, as based on the 1979 Dow Jones stocks, was the origin for compiling a list of representative companies. Thus the annual reports of nineteen companies for each of the two years, available in the Graduate School of Business Administration Library at the University of Michigan, served as the basis for the study.<sup>24</sup>

Selecting the annual reports was easy; determining the categories for analysis was not. The question we faced was, which social responsibility categories were referred to by corporations? Our decision was to build on the material presented in the Ernst and Ernst publication, Social Responsibility Disclosures: 1976 Survey of the Fortune 500 Annual Reports.<sup>25</sup> Thus the core for our analysis had these headings:

1. Environment
2. Fair Business Practices
3. Personnel
4. Community Involvement
5. Products
6. Energy

We dropped the category of "Other" which had appeared in the Ernst and Ernst report, but added "Energy," a more relevant category, at least by 1979.

These six social responsibility categories were then sub-divided into specific kinds of disclosure. For example, under the heading of Community Involvement we had such subheads as Community Activities; Health-Related Activities; Education and the Arts; and Other Community Activity Disclosures.

To further determine these subheads for our collation and content analysis, exemplary statements under health-related activities, for example, included "sponsoring public health projects" and "aiding medical research." The complete basis for our analysis is included in Exhibit 1 of this report. Thus, each time a topic under the above heads was discussed in the annual reports, we recorded that occurrence, which led us to an aggregate number for each category.

We also divided company responses into the three subgroups suggested by the Dow Jones grouping: Industrials, Transportation, and Utilities.

Hence, nineteen annual reports for 1964 and 1979 were content-analyzed for references to social responsibility disclosure. If both readers could not agree on the kind of disclosure mentioned, that material was discarded from the data base. Specific examples of wording, usually within one paragraph, are included in the results section of the study. The end result was a specific number of disclosures, within the six categories, occurring within each of the three industrial groups.

### Results

In comparing 1964 with 1979, our findings can be summarized in three observations:

- The aggregate number of social disclosures increased by 280 percent
- Theme or subject emphasis moved away from 1964's predominant emphasis on Personnel, expanding to include Energy as a major category in 1979
- The Industrials in 1979 replaced the Utilities in 1964 as the leading disclosure group.

Data are expressed in three exhibits. Exhibit 1 displays the number of reportings in each of the six social responsibility categories. The raw data

of those six categories in the Industrial, Transportation, and Utility groups are expressed in Exhibit 2. Exhibit 3 expresses the disclosure categories as a percentage of total reporting done in each of the years, 1964 and 1979.

Categories. The following list suggests the differences by number of disclosures for the two years:

1964	N
Environment	1
Fair Business Practices	6
Personnel	16
Community Involvement	7
Products	0
Energy	0
1979	N
Environment	11
Fair Business Practices	26
Personnel	24
Community Involvement	19
Products	9
Energy	25

1. Environment

This category related to environmental protection by the corporation. Disclosures included pollution control in the manufacturing process, usage of its products, as well as any repair of the environment.

Environmental disclosures, which appeared only once in 1964 and accounted for 3 percent of that year's disclosures, were reported eleven times in 1979, accounting for 10 percent of the 1979 disclosures. In category order, environmental disclosures were fourth most often reported in 1964 and fifth most often in 1979.

The only environmental disclosure in 1964 referred to compatibility of an electric plant with the environment. In 1979, the major type of disclosure was investment in pollution control equipment, usually stated as being required

by the government and frequently motivated by an implicit or even explicit complaint. This example comes from Detroit Edison:

The company continued commitment to improving the environment, spending a total of \$190 million for various projects in 1979. This brings the total to date for all projects to \$12 billion or 22 percent of the company's plant investment.<sup>26</sup>

## 2. Fair Business Practices

This category disclosed actions both internal and external to the corporation. Internal activities disclosed were the employment and advancement of women, minorities, and special interest groups. External activities disclosed were support for minority businesses and action abroad.

Quantitatively, the Fair Business Practices category increased 333 percent, from six disclosures in 1964 to twenty-six disclosures in 1979. In 1964, this category represented 20 percent of all disclosures and in 1979 this figure was 23 percent.

Disclosures also became more quantitative. In 1964, general statements of support for equal employment opportunity based on qualifications were dominant. A 1964 example from Pan Am:

Supporting the President's Committee on Equal Opportunity, Pan Am continued its historic policy of employing the best qualified persons available regardless of race, creed, color, or national origin.<sup>27</sup>

By 1979 the qualification disclaimer was gone and reporting became more quantitative. This example comes from Goodyear:

Significant progress has been made in affirmative action. Minority employment was up 40.4 percent over the period from March, 1975 through March, 1979. Salaried minority employment in all categories was up 20 percent. The number of women and minorities in the Officials and Managers category increased 111 percent and 55 percent, respectively.<sup>28</sup>

### 3. Personnel

This category related to responsible policies for employees, such as job-related disclosures of safety of the workplace and indirectly related actions such as compensation for education.

The Personnel category decreased from most often reported in 1964 to third most often reported in 1979. It experienced a 50 percent increase, from sixteen disclosures in 1964 to twenty-four disclosures in 1979. In 1964, Personnel accounted for 53 percent of all disclosures; in 1979, this figure was 21.1 percent. We suggest that the Fair Business Practices category was directly substituted for the Personnel category in the annual report.

In 1964, the main disclosures were provisions for employee training and accident statistics, with an occasional note of the company's having received a safety award. In 1979, the emphasis on employee training was still evident, while safety reporting generally became less quantitative with more notice of safety departments and health effect studies. The subcategory of assistance to displaced workers appeared in 1979. Examples from 1964 and 1979 come from DuPont and Southern Railroad, respectively:

The National Safety Council presented its Award of Honor to the company in recognition of our safety performance for the year 1974.... The company's 1964 performance as measured by the frequency of disabling injuries was 27 per million man-hours worked as compared with the 1963 rate of .28.... The latest available frequency rate for the chemical industry is 3.32 and for all industry 6.12.<sup>29</sup>

More than 2,400 Southern Railway people took part in formal training programs in 1979 including management and sales courses, technical training for people in operations and maintenance, and data processing, and various special work shops. Our new audio visual production studio at the technical training center assisted other departments....<sup>30</sup>



#### 4. Community Involvement

Disclosed philanthropic activity external to the corporation made up this category and involved activities occurring both in the immediate locale of the corporate facilities and in the larger community. Examples of the latter are contributions to education and public broadcasting.

Community Involvement as a category moved from second most frequently disclosed category in 1964 to fourth in 1979. An increased incidence of disclosure of 171 percent was reported in this category, with seven disclosures in 1964 and nineteen disclosures in 1979. Community Involvement accounted for 23 percent of all disclosures in 1964 and 17 percent in 1979.

The subcategories beneath Community Involvement broadened considerably from 1964 to 1979. In 1964, the main disclosures were the presence of scholarship programs and contributions, usually to colleges. In 1979, although educational contributions remained the largest single category, discussions of health and community activities increased. Examples from Standard Oil of California in 1964 and Allied Chemical in 1979 follow:

Standard Oil of California's program of aids to education included awards of unrestricted and research grants to leading colleges and universities, scholarships for undergraduates, and fellowships for graduate students engaged in studies of primary interest to the petroleum industry.<sup>31</sup>

Allied Chemical supports many community United Way campaigns, hospital building drives, and similar projects. It donates equipment to nonprofit organizations and local schools and sometimes contributes the time and talent of certain managers and staff people to help out local organizations....<sup>32</sup>

#### 5. Products

Included in the Products category were two types of disclosures. These were improvement in or increased safety of the products' use or manufacturing process.

In our sample, the Products category appeared only in 1979, with nine disclosures, representing 8 percent of total disclosures. It was also the category with the least frequency of disclosures. Although disclosures here were more diverse than in other categories, safety of the product and safety of the product manufacturer were the most common. Commonwealth Edison says this in 1979:

We are working with the State of Illinois on expanded off-site monitoring capabilities, and assisting the state in revising its energy plans to meet new NRC (Nuclear Regulatory Commission) guidelines. At the industry level, we are participating in a number of activities designed to improve the level of operations at all nuclear plants.... (Institute of Nuclear Power Operations...Nuclear Safety Analysis Center).<sup>33</sup>

#### 6. Energy Conservation

These disclosures recorded energy conservation by the company and energy-conserving properties of its products. Disclosures included descriptions of energy conservation programs and quantitative measures of energy saved.

In our survey the disclosure category of Energy Conservation did not appear in 1964. In 1979, energy had become the second most frequently disclosed category with a total of twenty-five references, accounting for 22 percent of all disclosures. We used the following delimiting categories for energy:

- presence of an energy conservation program
- energy conservation expenditures
- energy conserved (usually measured as a percentage)
- energy-saving alternatives represented by its products

The broadness of this category may account for decreased reporting in other categories.

Disclosure was usually quite quantitative. Research in alternative energy sources and commentaries about the impact of energy in the future appeared

frequently in the annual reports analyzed. Examples taken from Goodyear and DuPont were as follows:

Energy and resource conservation has been intensified. In 1979, energy usage was cut more than 22 percent, a savings of \$52 million, equivalent to 150 million gallons of oil. Moreover, Goodyear has developed energy sources through its self-help gas well programs.<sup>34</sup>

In 1979, DuPont manufacturing consumed approximately 5 percent less energy per unit of production (than in 1978)...[our] goal [is] to reduce (energy) consumption per unit production by a total of 36 percent in the period of 1972 to 1985.<sup>35</sup>

Three Dow-Jones Groups. The following suggests the average number of disclosures per company in the three groups during the two years:

<u>1964</u>	<u>1979</u>
Utilities ..... 2.2	Industrial..... 8.1
Industrial..... 1.7	Utilities..... 4.2
Transportation.... .5	Transportation.... 3.0

The most notable of the changes from 1964 to 1979 was the replacement of the Utilities by the Industrials as leading the disclosures. Industrials had a 1979 disclosure incidence almost double that of Utilities and almost triple that of Transportation.

Among the subheads, the trends of emphasis on disclosure categories are not, in our opinion, outstanding. As previously discussed, the number of disclosure categories increased in every subsample. In the Utility subsample, the decrease in Personnel reporting is likely due to the offsetting increases in Fair Business Practices. Correspondingly, the lack of Utilities' Community Involvement disclosures in 1979 is due, at least in part, to the public distribution of energy conservation information being reported under the Energy category.

### CAUSALITIES FOR INCREASED COMMUNICATION

We attribute the increased communication of social responsibility between 1964 and 1979 to both social and economic pressures. Social pressures included social disenchantment with the United States' involvement in Viet Nam, the rise of consumerism, the environmentalists' movement, and increasing governmental regulation. We view these social factors as interconnected rather than discrete. The economic factors were defined as a poorer climate for business in 1979 than in 1964 and a realization of the finiteness of the world's petroleum supply, accompanied by higher fuel prices.

The United States' involvement in the Viet Nam War was a cause of widespread social turmoil in the late 1960s and early 1970s, for which business was viewed as a scapegoat. The most explicit accusations came from university campuses where antiwar organizations such as the Students for a Democratic Society equated the war slogan "of making the world safe for democracy" with "making the world safe for the United States' corporate capitalists," and otherwise blamed the war on business interests.<sup>36,37</sup> Although this correlation was espoused by only a small vocal segment of society, we extrapolate that this widely publicized accusation turned the sentiments of a much larger proportion of society toward a more skeptical view of business.

The 1960s also saw the rise of the consumer movement, a chief proponent of which was Ralph Nader.<sup>39,40</sup> Nader's writings and lawsuits communicated to the public incidents and accusations of unsafe products, industrial pollution, ineffective governmental regulation due to the influence of business, and false advertising. These occurrences were attributed to the profit orientation of business at the obvious expense of the consumer. Thus, an adversarial relationship between business and the consumer was adopted by the consumer movement.

The environmental movement gained momentum during the 1960s. Pressure was exerted on business from environmental groups such as the Sierra Club of California, which demanded that business stop polluting or in any way altering the environment. Objections were raised even to such corporate actions as the cutting of redwood trees. Again, the concept of the profit motive, greed on the part of the business at the expense of the environment, was exploited.<sup>41,42,43</sup>

Partly in response to the consumer and environmental lobbies, the period of the late 1960s and early 1970s brought an explosive growth of governmental regulation.<sup>44,45</sup> The Equal Opportunity Commission was created in 1964 and made operational in 1965. This was a governmental reaction to the civil rights movement of the early 1960s. In 1970 the Environmental Protection Agency and the Occupational Health and Safety Administration were established. With these new regulations came added pressures for business to present a responsible corporate image.<sup>46</sup>

In 1973, as a result of the OPEC oil embargo, the American economy experienced its first energy shortage. The future availability of energy became questionable; oil prices began their steady climb. In 1979 oil shortages were experienced, causing inconvenience and further concern in the business community. Over this fifteen-year period, energy became a topic of national concern because the finiteness of oil--the traditional energy source--became recognized.<sup>47</sup>

Finally, the economic climate was much more favorable for business in 1964 than in 1979.<sup>48,49</sup> In 1964, the United States gross national product grew at a rate of 4.1 percent and average personal income grew at a rate of 5.9 percent. By contrast, in 1979, the United States gross national product

rose .96 percent and average personal income grew at a rate of 12 percent, largely paid by the business community. Business was keeping less of its revenue, as evidenced by the decline in profits of our sample companies from 7.5 percent return on assets in 1964 to 6.1 percent in 1979.

Thus, we maintain that the above factors influenced the increase in social responsibility disclosures observed in our study. The increased reporting corresponded to the increased pressure, and the types of pressures dictated the types of reporting increases.

The 280 percent increase in the incidence of disclosures can be considered a reaction to increased public skepticism toward business. Further, the probable reason for Industrials having become the leading category of disclosures in 1979 is that they were the leading recipients of criticism. We infer that in 1964, Utilities, which serve the entire consuming public, felt most pressure to present a socially responsible corporate image.

The increase and focus of content in Fair Business Practices disclosures are directly correlated to the presence of the Equal Opportunity Commission. The energy disclosures can be attributed to the concern business feels about its future energy supply and public pressures to conserve. The increased personnel disclosures can be viewed as a reaction to the skeptical public eye of the consumer movement and the pressure of the Occupational Health and Safety Administration. Further, the disclosure about retraining displaced workers signals a poorer economic climate for business. The increase in community involvement disclosures again can be correlated to the public skepticism of the consumer movement and the pressure to present a responsible corporate image. The increase in environmental disclosures can be attributed, as they frequently were in the pooled reports, to the presence of the Environmental

Protection Agency, and also to the environmentalist movement. Finally, increased product disclosures are correlated to the consumer movement.

While the number of annual reports studies is small--and this is a limitation of this analysis--the presumption is strong that social responsibility disclosures in the annual reports increased between 1964 and 1979 as a result of the external pressures on the business community. Constituents, both inside and outside the corporation, received more communication, a trend which seemingly continues.

EXHIBIT 1

Categories of Social Responsibility Disclosure

Number of  
Companies  
Disclosing

1964 1979

A. ENVIRONMENT

- |  |   |    |   |
|--|---|----|---|
|  | 6 | 1. | Pollution control in the manufacturing process:<br>--disclosures of capital, operating, research and development, and monitoring expenditures for air, water, noise, and other pollution abatement<br>--statements by companies that either their operations are of a nonpolluting nature or that they are presently in compliance with the law |
|  | 1 | 2. | Product improvement to reduce pollution arising from the product's use:<br>--efforts to reduce pollutive effects of using product   |
|  | 1 | 3. | Conservation of natural resources:<br>--recycling glass, metals, oil, water, and paper  |
|  | 1 |    | --undertaking secondary and tertiary recovery of resources, e.g., new recovery techniques applied to old oil fields   |
|  | 1 |    | --reducing energy consumption or helping others to reduce energy use on a not-for-profit basis  |
|  | 1 | 4. | Other disclosures related to the environment:<br>--designing facilities harmonious with the environment   |

B. FAIR BUSINESS PRACTICES

- |  |   |    |   |
|--|---|----|---|
|  | 1 | 1. | Employment of minorities:<br>--recruiting or employing racial minorities  |
|  | 5 |    | --disclosing percentage or number of minority employees in work force   |
|  | 1 | 2. | Advancement of minorities:<br>--establishment of program for advancing minorities to managerial or salaried positions |
|  | 4 |    | --disclosure of percentage or number of minority employees in managerial or salaried positions                        |
|  | 5 | 3. | Employment for women:<br>--disclosure of percentage or number of women in work force                                  |



EXHIBIT 1 (cont.)

Number of  
Companies  
Disclosing

1964 1979

- |   |   |    |  |
|---|---|----|--|
|   |   | 4. | Advancement of women:  |
|   | 1 |    | --establishment of program for advancing women to managerial or salaried positions |
|   | 4 |    | --disclosure of percentage or number of women in managerial or salaried positions  |
|   |   | 5. | Employment of other special-interest groups:                                       |
|   | 1 |    | --disclosure of the percentage or number of members of these groups in work force  |
|   |   | 6. | Support for minority business within the U.S.:                                     |
|   | 1 |    | --using minority suppliers   |
|   |   | 7. | Other statements on fair business practices:                                       |
| 2 | 4 |    | --acknowledgment of an affirmative action program                                  |
| 2 |   |    | --support of equal employment opportunity  |
| 1 |   |    | --compliance with governmental regulations for equal employment                    |

C. PERSONNEL

- |   |   |    |   |
|---|---|----|---|
|   |   | 1. | Employee health and safety:   |
| 1 | 4 |    | --promotion of employee health and safety   |
| 5 | 2 |    | --disclosure of accident statistics   |
|   | 3 |    | --compliance with OSHA standards  |
| 3 | 3 |    | --receipt of safety award   |
|   | 2 |    | --establishment of a safety department or committee   |
|   |   | 2. | Employee training:  |
| 6 | 6 |    | --training of employees through either in-house programs or financial assistance for university courses             |
|   |   | 3. | Other disclosures concerning responsibility to personnel:   |
|   | 1 |    | --programs for retraining and placement of displaced workers  |
|   | 1 |    | --efforts to lessen unemployment due to economic conditions, e.g., instituting short work week to minimize lay-offs |
| 1 | 2 |    | --general disclosure of socially responsible industrial relations policies  |

EXHIBIT 1 (cont.)

Number of  
Companies  
Disclosing

1964 1979

D. COMMUNITY INVOLVEMENT

- |   |   |   |
|---|---|---|
|   |   | 1. Community activities:  |
| 3 |   | --donations of cash, products, or employee services to community activities |
|   |   | 2. Health-related activities:   |
| 2 |   | --sponsoring public health projects   |
| 1 |   | --aiding medical research   |
|   |   | 3. Education and the arts:  |
| 3 | 5 | --aiding education, the arts, historical societies, or public television    |
|   | 2 | --sponsoring educational conferences  |
|   | 1 | --matching gift support for education                                       |
| 3 | 2 | --funding college scholarship programs                                      |
|   |   | 4. Other community activity disclosures:                                    |
| 1 |   | --opening company's forests to the public                                   |
|   | 2 | --aiding disaster victims   |
|   | 1 | --sponsoring community celebrations   |

E. PRODUCTS

- |   |  |  |
|---|--|--|
|   |  | 1. Safety:   |
| 1 |  | --disclosing that products meet applicable safety standards              |
| 1 |  | --instructing users how to safely use products                           |
| 2 |  | --monitoring the safety of products                                      |
| 1 |  | --creating a product safety committee                                    |
|   |  | 2. Product improvements:   |
| 1 |  | --improvements in nutritional value                                      |
| 1 |  | --improved energy efficiency   |
| 1 |  | --other improvements in the public interest                              |
|   |  | 3. Other product-related disclosures:                                    |
| 1 |  | --nonsponsored research aimed at solving problems in the public interest |

EXHIBIT 1 (cont.)

Number of  
Companies  
Disclosing

1964 1979

F. ENERGY

14	1. Presence of an energy conservation program
3	2. Energy conservation expenditures
2	3. Amount of energy conserved
6	4. Energy saving attributes of its products

EXHIBIT 2

Comparative Disclosures within Sub-samples

	Industrials (sample of 10)		Transportations (sample of 4)		Utilities (sample of 5)		Total (sample of 19)	
	1964	1979	1964	1979	1964	1979	1964	1979
Environment	0	9	0	0	1	2	1	11
average/report	-	.9	-	-	.2	.4	.05	.58
% change	-		-		100%		1000%	
Fair Business Practices	4	18	1	1	1	7	6	26
average/report	.4	1.8	.25	.25	.2	1.4	.72	1.37
% change	350%		0		600%		333%	
Personnel	11	15	1	6	4	3	16	24
average/report	1.1	1.5	.25	1.5	.8	.6	.84	1.26
% change	36%		500%		(25%)		(50%)	
Community Involvement	2	18	0	1	5	0	7	19
average/report	.2	1.8	-	.25	1	0	.37	1
% change	800%		-		-		171%	
Products	0	7	0	1	0	1	0	9
average/report	-	.7	-	.25	0	.2	-	.47
% change	-		-		-		-	
Energy	0	14	0	3	0	8	0	25
average/report	-	1.4	-	.75	-	1.6	0	1.32
% change	-		-		-		-	
Total Disclosures	12	81	2	12	11	21	30	114
average/report	1.7	8.1	.5	3	2.2	4.2	1.58	6
% change	376%		500%		91%		280%	

EXHIBIT 3

Categories as a Percentage of Total Reporting  
for the Years of 1964 and 1979

	1964	1979
Environment	3%	10%
Fair Business Practices	20	23
Personnel	53	21
Community Involvement	23	17
Products	-	8
Energy	-	22

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