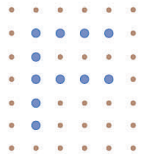


Where sustainability lives:

Linking external recognition to the organizational structures that support sustainability



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Introduction

In December 2008, the Boston College Center for Corporate Citizenship (BCCCC) released "[Profile of the Practice 2008: Managing Corporate Citizenship](#)." The report, based on survey data from the BCCCC's member companies, identified emerging trends in the ways said companies are choosing to manage their corporate citizenship efforts. According to Bradley Googins, PhD, then executive director of the BCCCC, the report suggests "companies will continue to formalize the corporate citizenship functions, although most still do it in a manner very idiosyncratic to the firm."¹

In this study, we seek to further explore this premise and the implications of how companies manage sustainability². Specifically, we set out to determine if there is any correlation between organizational structure and, as a proxy for sustainability performance, external recognition. Our purposes are to provoke thought around sustainability and to help those companies that are still using an "idiosyncratic" approach to find the most effective organizational structure for managing sustainability.³

To explore the relationship between organizational structure and external recognition for key aspects of sustainability performance, we surveyed the companies on the 2008 Fortune 500[®] list. The survey was conducted between February and May of 2009. We compared the survey responses with publicly available records of external recognition in hopes of identifying trends and significant conclusions.

In the interest of transparency, we must also mention that this process faced several challenges and limitations, which are listed in Appendix D on page 17. One challenge in particular has already revealed itself; the issue of

nomenclature and terminology. Whereas the BCCCC refers to "citizenship," we refer to a company's environmental, social, governance, and economic performance as "sustainability." For ease of reference, we will use the term "sustainability" for the remainder of this report.

We set out to determine if there is any correlation between organizational structure and, as a proxy for sustainability performance, external recognition.

We would like to thank all of the companies that responded to our survey. Without their input, this research would not have been possible. Furthermore, we would also like to thank Bill Brower and Peter Helmer for their assistance with the data-collection process, and Scott McKee for advising us on the statistical analysis; we sincerely appreciate your efforts.

Finally, we welcome any feedback relevant to our methodology, the findings, or the limitations of our study. Please feel free to post your comments or reactions on our blog: <http://www.frameworkcr.com/index.php/framework/views/what-do-you-think-about-where-sustainability-lives/>. Thanks very much for your time, interest, and attention.

Sincerely,

Framework:CR

June 15, 2009



Executive summary

Framework collected and examined data from 123 US corporations listed on the Fortune 500® to determine if there is any correlation between the organizational structures that support sustainability and, as a proxy for performance, external recognition for various aspects of sustainability performance. The purpose of this study is to help companies find the most effective organizational structure for managing sustainability.

We collected data on organizational structure via telephone and email surveys and data on external recognition via publicly available sources between February and May 2009. We asked corporate practitioners questions about their companies' organizational structures in an effort to examine the following relationships:

- **Vertical structure and external recognition:** what is the relationship between the level of seniority at which sustainability is managed and external recognition for sustainability performance?
- **Horizontal structure and external recognition:** what is the relationship between the department(s) in which sustainability is managed and external recognition for sustainability performance?
- **Board oversight and external recognition:** what is the relationship between board oversight of sustainability and external recognition for sustainability performance?

The results of this study validate what many practitioners already believe to be true—**organizational structure matters**. The data that we received suggest that:

- **Vertical structure matters:** a company is more likely to receive external recognition if the sustainability function lives higher within its organizational structure

The results of this study validate what many practitioners already believe to be true—organizational structure matters.

- **Horizontal structure matters:** a company is more likely to receive external recognition if the sustainability function lives within certain departments (e.g., public or corporate affairs, legal or government affairs, or a dedicated sustainability department) and not in others

- **Board oversight matters:**

Presenting to the board of directors: a company is more likely to receive external recognition if the person in charge of sustainability presents to the board on sustainability issues

Frequency of presentations: a company is more likely to receive external recognition if the person in charge of sustainability frequently reports to the board of directors

Ultimately, we believe that more research is necessary. The data show correlations between organizational structure and external recognition; however, not all of the correlations are statistically significant. The correlation between vertical structure and external recognition, for example, is not statistically significant at the 95 percent confidence level. Additional research and a larger sample of participating companies could yield more statistically significant results in the future.

Finally, please note that these results show correlation but not necessarily causation. We have not concluded, nor do we mean to suggest, that companies will receive more external recognition if they simply adjust their organizational structure based on our survey results. In addition to sound management, an effective sustainability strategy requires vision, alignment, integration, responsiveness to stakeholders, and transparency, among many other factors.



Methodology

About the data sample

Our initial universe was the 2008 Fortune 500^{®4} list, which comprises the top 500 US-based corporations as ranked by gross revenue. We chose this universe for three reasons:

- **Familiarity:** we work primarily with US-based companies and, therefore, are most interested in trends within the US market;
- **Simplicity:** because the Fortune 500[®] list is compiled only once per year, we need not account for changes in composition that occur throughout the year; and
- **Scope:** it was simply not feasible for us to examine a larger universe, for example, the Fortune 1000, Russell 1000, or the S&P 1000.

As of February 16, 2009, we removed from the universe the companies that had gone out of business, been acquired by other Fortune 500[®] companies, or been seized by the US government since the 2008 Fortune 500[®] list was compiled. Representatives of Framework then attempted to contact the remaining companies via

telephone and email between February 17 and April 15, 2009. Representatives were instructed to make two initial call attempts before emailing the survey questions to each company. If, after the third attempt, we were unable to make any contact, we then declined to pursue that company further.

Out of 486 remaining companies, representatives of 123 companies—25.31 percent of the eligible Fortune 500[®] companies—responded to our survey. See Table 1 for an overview of our initial data sample.

Due to the sensitive nature of our survey, companies participated anonymously and their responses were treated as confidential in exchange for their participation. Survey respondents, however, represent a wide cross-section of industries and sizes.

See also » Appendix C on page 16 for more in-depth statistics on the participating companies.

Companies	Number	Percentage
Initial universe: 2008 Fortune 500 [®]	500	100.00%
Removed from the sample (as of February 16, 2009)	14	2.80%
Companies that did not respond	363	74.69%
Companies that responded	123	
Percentage of Fortune 500 [®] constituents that responded		24.60%
Percentage of eligible Fortune 500 [®] constituents that responded		25.31%



About the survey

We asked participants to respond to the following questions about their company's organizational structure:

1. What is the title of the person in charge of sustainability (e.g., director, vice president, senior vice president)?
2. In which department is the person in charge of sustainability located?
3. To whom does the person in charge of sustainability report directly?
4. How many levels is the person in charge of sustainability removed from the chief executive officer?
5. Is that person likely to present to the board of directors? If so, how often?

To ensure that we were collecting the most up-to-date information, we approached companies with these five questions directly rather than look at publicly available materials such as websites and sustainability reports.

Whenever possible, our representatives attempted to communicate with a person directly involved with sustainability at each company. When an appropriate sustainability contact could not be readily identified via publicly available materials and/or prior knowledge, we approached investor relations, media relations, and administrative contacts.

Since not all companies use the same nomenclature, we reviewed each company's website prior to making contact. Whenever necessary, we substituted the term that best described their environmental, social, economic, and governance programs (e.g., sustainability, corporate responsibility, corporate citizenship) when communicating with participants. Aside from defining sustainability generally, we took care not to define any additional terms for the participants.

See also » Appendix D on page 17 for more information on the limitations of this study, including terminology and definitions.

External recognition: a proxy for sustainability performance

We selected several awards and recognition programs as a proxy for sustainability performance (see Table 2 on the following page). This list is by no means comprehensive or exhaustive. It does, however, represent the breadth of awards and recognition that exist today. Each of these measures places a high degree of importance on transparency and disclosure. And while we recognize that transparency and disclosure do not necessarily equate to performance, we work from the premise that what gets measured—and, in these cases, communicated—gets managed. Therefore, we are working from the assumption that the information disclosed is as good a reflection of, or proxy for, actual performance as any data that is publicly available.

We selected the external recognition programs outlined in Table 2 based on the following criteria:

- **Visibility:** First, we considered a list of awards and recognition programs that are widely accepted by sustainability practitioners.
- **Balance:** Second, we pared the initial list of awards and recognition programs to a shorter list that adequately represents the different elements of a balanced sustainability strategy. These include, among others, diversity and inclusion, employee relations, ethics and governance, and environment. We sought to avoid a list of recognition programs that skewed heavily toward any one particular element.
- **Eligibility:** Third, we verified that all companies that provided data were eligible to receive all the selected awards and recognitions.



Table 2: Award and recognition programs considered

Recognition	Presenting organization	Year(s)	Relevant parameters ⁵
100 Best Companies to Work For [®]	Fortune	2008–2009	Open application (companies must have more than 1,000 employees and been in business for at least seven years)
100 Best Corporate Citizens	The CRO	2008–2009	Russell 1000 [®]
Carbon Disclosure Project Leadership Index	Carbon Disclosure Project	2008 ⁶	S&P 500
Corporate Equality Index	Human Rights Campaign	2008–2009	Fortune 1000
Top 50 Companies for Diversity [®]	DiversityInc	2008–2009	Open application (companies must have more than 1,000 employees)
World's Most Ethical Companies	Ethisphere	2008–2009	Survey of thousands of companies worldwide

Without taking eligibility into consideration, it would have been impossible to compare the data received from one company with that received from another.

This third criterion proved to be the most challenging, because different awards select their recipients from different universes. The 100 Best Corporate Citizens, for example, are selected from the Russell 1000[®], whereas the Carbon Disclosure Leadership Index examines the S&P 500 in addition to several other universes that are more global in scope.

Therefore, we narrowed our data sample to those respondents who were eligible to receive each of the awards described above. Of the 123 companies who responded, 101 companies (82.11 percent) were eligible for each of these awards.

- **Timeliness:** Finally, we noted whether eligible companies received any of these six awards in 2008 or 2009. On one hand, we needed to ensure that our data was as timely as possible. On the other hand, we wanted to include 2008 data, in addition to 2009, to

expand the volume of data in our study and improve the quality of analysis. Companies were eligible for 11 awards in total (the 2009 Carbon Disclosure Project Leadership Index was not available at the time of analysis).

Table 3: Ensuring eligibility

Narrowing the sample	Number	Percentage
Of the 123 companies that responded, how many qualified for consideration for all of the awards and recognitions selected?	101	82.11%



Analysis

We created a profile of the average participating company by calculating the mode for title, levels removed from the CEO, department, and board presentations (see Table 4 below). By aggregating the most common responses to each question or variable, we find that the average participating company has a vice president in charge of sustainability. That person is most commonly two levels removed from his/her CEO, and the position resides in a dedicated sustainability department. Finally, the average person in charge of sustainability presents to his/her board of directors once per year.

The companies in our data sample received, on average, 3.06 of the possible 11 awards. We use this average as a benchmark, or point of comparison, for the remainder of the report. You will notice a red line in each of the tables that follow. Responses above the red line outperform this benchmark, while responses below the red line underperform against this benchmark.

Table 4: Profile of the average participant

Vice president
Two levels removed from the CEO
Located in a dedicated sustainability department
Presents to Board of Directors once per year
Received 3.06 awards (out of the possible 11 awards)

Companies in which sustainability is managed by a senior vice president received, on average, more recognition for sustainability performance than any other category.

>> Vertical structure: titles

Respondents from each participating company were asked, “What is the title of the person in charge of sustainability?” Responses were organized into six broad categories, which are listed in order of descending frequency: vice president, director, senior vice president, chief officer, other⁷, and manager. Using this information, we measured the average number of awards received, on a scale of zero to 11, for each category. The results are presented below.

Results

Companies in which sustainability is managed by a senior vice president received, on average, more recognition for sustainability performance (4.19 awards) than any other category. In fact, this is the only subset that outperforms the benchmark of 3.06 awards. By comparison, the average number of awards received by vice presidents was 3.02; by chief officers, 2.55; by directors, 2.38; and by managers, 0.33.

The general trend indicates that companies receive more external recognition if the person in charge of sustainability sits higher within the organizational structure. For example, companies in which sustainability is managed by a senior vice president perform better than those that delegate that function to vice presidents, directors, and managers. It is difficult, however, to make sense of the chief officer category, which performed better than



Table 5: Title versus external recognition

Title	Average number of awards
Senior vice president ⁸	4.19
Vice president ⁹	3.02
Chief officer ¹⁰	2.55
Director ¹¹	2.38
Manager ¹²	0.33

directors but worse than vice presidents. This result is perhaps due to a wide variation in seniority and influence within the category. A title such as chief communications officer, for example, is very well established and often located one level beneath the chief executive. A chief sustainability officer, by comparison, is relatively new in the corporate landscape and may or may not sit lower within the organizational structure.

It is also important to note that within the study's universe lies a broad range of organizational structures and cultures. The title of vice president, for example, does not necessarily carry the same weight from one company to the next. For example, the vice president might report to a senior vice president in one company, while in another that title might report directly to the chief executive officer. Therefore, to get a clearer sense of how vertical structure correlates with external recognition, we turn to the data from the second question on our survey.

>> Vertical structure: levels from the CEO

Respondents were asked, "How many levels is the person in charge of sustainability removed from the chief executive officer?" This time, the responses were organized into five categories—one level removed, two levels removed, three levels removed, four levels

removed, and other¹³. Again, we measured the average number of awards received, on a scale of zero to 11, for each category.

The average number of awards received declines consistently as additional levels of management come between the head of sustainability and the CEO.

Results

Vertical structure matters. The average number of awards received declines consistently as additional levels of management come between the head of sustainability and the CEO. Companies in which the position managing sustainability is one level removed from the CEO received an average of 3.54 awards; compared with companies whose sustainability efforts are managed at two levels removed from the CEO (3.10 awards on average), three levels removed (3.06 awards on average), and four levels removed (2.00 awards on average).

Table 6: Levels from CEO versus external recognition

Levels removed from the CEO	Average number of awards
One	3.54
Two	3.10
Three	3.06
Four	2.00



To examine this relationship further, we measured the correlation between the number of levels removed from the CEO (independent variable) and average number of awards received (dependent variable) using a regression analysis (see Table 11 in Appendix C on page 16 for the regression statistics). The regression indicates there is a negative correlation of 0.397; in other words, for each additional level that the person in charge of sustainability is removed from the CEO, the average number of awards decreases by 0.397. The correlation is statistically significant at the 85 percent confidence level.

See also » Appendix C on page 16 for regression statistics.

>> Horizontal structure: departments

Next, we sought to examine the impact that horizontal structure has on external recognition as a proxy for performance. Respondents were asked “Which department is [the person in charge of sustainability] located in?” This time, we organized the responses into nine broad categories (again listed in order of descending frequency)—a dedicated department; environment, health, and safety; corporate or public affairs; communications; other¹⁴; marketing; human resources; legal or government relations; and community relations or foundation. We then measured the average number of awards received, on a scale of zero to 11, for each of the nine categories.

Results

Horizontal structure matters. Certain departments—namely corporate or public affairs, legal or government affairs, and dedicated departments—performed better on average than others, including environment, health, and safety; marketing; communications; community relations or foundation; and

human resources. In fact, corporate or public affairs departments receive roughly twice as many awards as do community relations/foundations or human resources departments—4.38 awards compared with 2.20 and 2.14 awards, respectively (see Table 7 below).

Table 7: Department versus external recognition

Department	Average number of awards
Corporate or public affairs ¹⁵	4.38
Legal or government relations ¹⁶	4.29
Dedicated department ¹⁷	3.77
Environment, health, and safety ¹⁸	2.77
Marketing	2.79
Communications ¹⁹	2.71
Community relations or foundation ²⁰	2.20
Human resources ²¹	2.14

It is not surprising that departments dedicated to sustainability (which received, on average, 3.77 awards) outperform the benchmark. But why do corporate or public affairs and legal or government relations departments perform best? There are several possible explanations:

- Breaking out of the sustainability silo: one reason these departments might outperform the departments dedicated to sustainability is that they do not stand alone.



- Corporate or public affairs departments are typically involved in promoting the company and managing the company's relationships with external stakeholders, including organizations that organize various awards and recognition programs.
- Legal or government affairs departments are typically involved in managing the company's risks, including environmental, social, governance, and financial risks.

>> Board oversight: presenting to the board

We examined the impact that board oversight or involvement has on external recognition as a proxy for performance. Respondents were asked "Is the person in charge of sustainability likely to present to the board of directors?" We organized the responses into three categories—yes, no, and not applicable (N/A). We then measured the average number of awards received, on a scale of zero to 11, for each of the three categories.

Results

Board oversight matters. Companies in which the person in charge of sustainability reports to the board of directors receive on average 3.32 awards, outperforming the benchmark of 3.06. By comparison, companies in which

Table 8: Board oversight versus external recognition

Does the person in charge of sustainability report to the board of directors?	Average number of awards
Yes	3.32
No	2.00

Companies receive more external recognition when the person in charge of sustainability presents to the board of directors.

the person charged with managing sustainability does not have the opportunity to report to the board of directors received, on average, 2.00 awards. These companies do not outperform the benchmark.

We measured the correlation between the two variables—board presentations and the average number of awards received—using a regression analysis. The regression indicates a positive correlation; in other words, if the person in charge of sustainability presents to the board of directors, the average number of awards increases by 1.32. The statistical confidence level meets the 95 percent threshold. This result indicates that companies receive more external recognition when the person in charge of sustainability presents to the board of directors.

>> Board oversight: frequency of presentations

This final question essentially asks: "is more actually better?" Respondents who answered "yes" to the previous question about board presentations were asked "How often does the person in charge of sustainability present to the board?" We organized the responses into three categories—once per year, twice per year, and three or more times per year. We measured the average number of awards received, on a scale of zero to 11, for each of the three categories.



Table 9: Frequency of board reporting versus external recognition

If so, how often?	Average number of awards
Three or more times per year	4.00
Twice per year	3.71
Once per year	2.64

in other words, for each additional time that the person in charge of sustainability presents to the board of directors, the average number of awards increases, on average, by 0.43 awards. As with the previous analysis, the statistical confidence level meets the 95 percent threshold.

Results

Reporting frequency matters. Here the results indicate that the more often the person in charge of sustainability presents to the board of directors, the more likely the company is to be recognized for its sustainability performance. If there were three or more board presentations per year, companies received 4.00 awards on average; compared with 3.71 awards for those companies with two board presentations per year and 2.64 awards for those companies with one board presentation per year.

The more often the person in charge of sustainability presents to the board of directors, the more likely the company is to be recognized for its sustainability performance.

We measured the correlation between the two variables—frequency of board presentations and the average number of awards received—using a regression analysis (see Table 13 in Appendix C on page 16 for the regression statistics). The regression suggests a positive correlation;



Conclusions

This study validates what many corporate practitioners already believe to be true—organizational structure matters. The data indicates that companies that are committed to sustainability are more likely to get recognized for their efforts.

- **Vertical structure matters:** a company is more likely to receive external recognition if the sustainability function lives higher within the organizational structure
- **Horizontal structure matters:** a company is more likely to receive external recognition if the sustainability function lives within certain departments (*i.e.*, public or corporate affairs, legal or government affairs, or a dedicated sustainability department)
- **Board oversight matters**
Presenting to the board of directors: a company is more likely to receive external recognition if the person in charge of sustainability presents to the board
Frequency of presentations: a company is more likely to receive external recognition if the person in charge of sustainability frequently reports to the board
- **More research is necessary:** the data show correlations between organizational structure and external recognition. The correlation between vertical structure and external recognition is statistically significant to only the 85 percent confidence level. Additional research and a larger sample of participating companies could remedy this problem.

What these results mean for corporate practitioners

These results show correlation, not necessarily causation. In other words, we neither conclude nor mean to suggest that companies will receive more external recognition if they simply adjust their organizational structures based on these survey results. An effective sustainability strategy requires not only a sound management structure but also

vision, alignment, integration, responsiveness to stakeholders, and transparency, among others.

It seems likely, however, that a reinforcing cycle exists between external recognition and a company's management of sustainability. If hypothetical Company A's management focuses on sustainability in the broader context of its business, Company A will likely exhibit stronger sustainability performance and receive more external recognition as a result. In turn, if Company A is recognized for sustainability performance, management will likely take notice and commit more attention and resources to the company's sustainability programs in an effort to maximize brand value.

It is our sincere hope that corporate practitioners can use these conclusions, in addition to their own experiences, to implement organizational structures more strategically and systematically. While these findings are likely more useful to companies that are just now formalizing their sustainability functions, we recognize that the current economic recession will also result in any number of corporations restructuring—providing a rare opportunity to rethink and reorganize existing organizational structures.

The companies that perform best in terms of sustainability will be the companies that strategically integrate sustainability into their organizational structures and core business practices.

Ultimately, we believe that the findings are relevant to all corporate practitioners, because they speak to a broader message of integration. Sustainability is nothing if not a matter of integration—of various principles, perspectives, and objectives. The companies that perform best in terms of sustainability will be the companies that strategically integrate sustainability into their organizational structures and core business practices.



Appendix A: Notes on methodology

What happened when a respondent provided more than one answer to a survey question?

We were not in a position to assign weighting to particular responses; therefore, all responses were weighted equally. When more than one answer applied, all applicable answers were recorded.

To illustrate: Suppose Company A responded that the person in charge of sustainability possesses the following titles: vice president and chief sustainability officer. We would then count Company A in both the “vice president” and “chief officer” categories. In turn, suppose the management of sustainability at Company B is shared among two different functions and individuals—the vice president of marketing and the vice president of environment, health, and safety. We would have recorded Company B in both the “marketing” and “environment, health, and safety” categories.

Multiple counting had no effect on the results of this study because the average number of awards received for each category is not a relative measure.

Did we account for relative rankings or scores?

We did not take into account companies’ specific rankings or scores within the recognition programs that we referenced. For example, suppose Company C ranked 1 on the 100 Best Corporate Citizens list and Company D ranked 100. We would count both companies as simply “on the list.”

If we were to compare individual rankings on individual lists against vertical structure, horizontal structure, and board oversight, the data sample for each award would be considerably smaller and, in most cases, statistically insignificant.

Why are regression statistics provided for only three of the questions on the survey?

It is impossible to determine the hierarchical order for different titles and departments across the entire data set. Therefore, it was not possible to run a regression for these subset of the data.

Additional questions?

Please direct any further questions regarding the methodology or requests for further analysis to Kyle Whitaker at kwhitaker@frameworkcr.com.

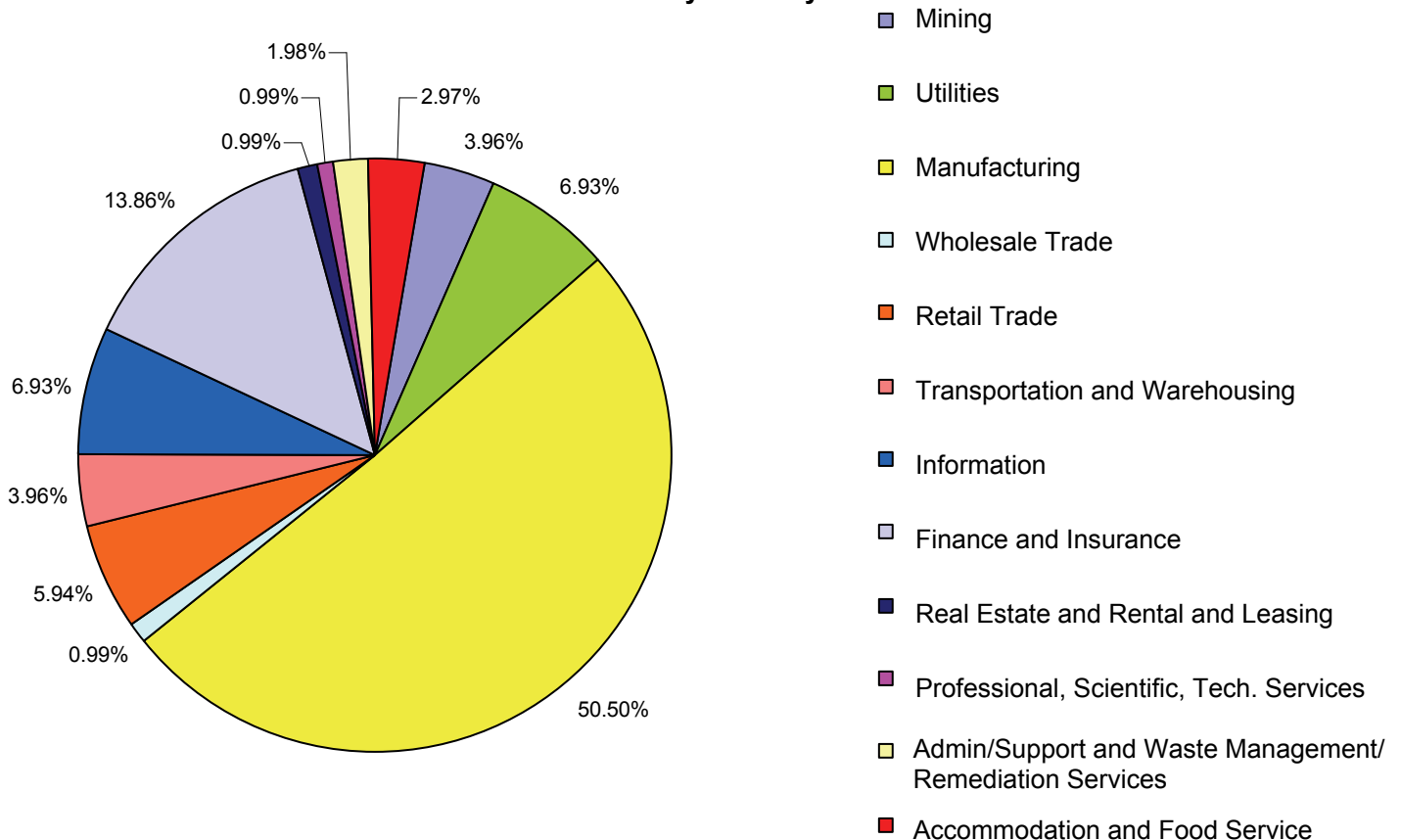


Appendix B: Data sample statistics

Table 10: Breakdown by size²²

Fortune 500® ranking	Percentage
Ranked 1 to 100	33.66%
Ranked 101 to 200	15.84%
Ranked 201 to 300	27.72%
Ranked 301 to 400	9.90%
Ranked 401 to 500	12.87%

Chart 1: Breakdown by industry²³



Appendix C: Regression analysis

Table 11: Regression statistics for levels removed from the CEO

Multiple R	0.14946023
R Square	0.02233836
Adjusted R Square	0.0119377
Standard Error	2.17715193

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	3.85949612	0.55473592	6.9573575	4.5867E-10	2.75805497	4.96093727
X Variable 1	-0.39728682	0.27108712	-1.46553191	0.14611289	-0.93553663	0.14096299

Table 12: Regression statistics for board presentations

Multiple R	0.210043
R Square	0.044118
Adjusted R Square	0.033378
Standard Error	2.174901

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	2	0.603209	3.315601	0.001325	0.801437	3.198563
X Variable 1	1.320513	0.65154	2.026756	0.04568	0.025917	2.615109

Table 13: Regression statistics for the frequency of board presentations

Multiple R	0.26112
R Square	0.068184
Adjusted R Square	0.053624
Standard Error	2.226953

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	2.360255	0.429487	5.495519	7.23E-07	1.502256	3.218254
X Variable 1	0.425434	0.196592	2.16404	0.0342	0.032695	0.818173



Appendix D: Limitations

Terminology and definitions: Sustainability, in particular, can be a very difficult term to define. As a firm, we believe that each organization must define sustainability—or corporate responsibility, corporate social responsibility, or corporate citizenship, as the case may be—according to the specific issues facing their business and industry. For the purposes of this study, however, we selected a generic and inclusive definition of sustainability—environmental, social, governance, and economic performance—in order to allow respondents to respond as broadly or as narrowly as they saw fit.

Low response rate: We are grateful to have received data from more than 100 companies. A higher response rate and larger sample size may, however, have enabled us to provide a stronger, more conclusive analysis. For example, our regression analysis of vertical structure versus awards received is 85 percent significant (*i.e.*, less than two confidence intervals, which is considered statistically insignificant). A larger sample size might remedy this problem and produce a result that is statistically significant.

Self-selection: the data sample is self-selecting. While we gave every company on the Fortune 500[®] list the opportunity to participate, we were unable to capture data on sustainability management for many of the eligible companies. We believe that our data skews towards those companies that are further along in their evolution toward sustainability. The reasons behind this self-selection are as follows:

- **Commitment yields transparency:** companies that are committed to sustainability are typically more

transparent and forthcoming about their efforts and organizational structure than companies that are not.

- **Company policy:** Several companies have policies that prevent employees from responding to surveys or participating in studies.
- **Contacts were unreachable:** Either our calls and emails were disregarded or we were unable to identify the appropriate contact.

Measuring performance: Sustainability performance is difficult to measure or synthesize, and debate continues as to what constitutes sustainability performance and what measures and metrics should be used to assess sustainability performance. Although we have selected a number of awards and recognition programs as a proxy for performance, we are not necessarily advocating for the methodologies these organizations use in assessing sustainability performance. We simply acknowledge that these programs exist and that companies seek external recognition for their programs and efforts.

Ownership versus involvement: This study is intended to provide a cursory view of sustainability management in US-based corporations. We recognize that the personnel in charge of sustainability are not necessarily the same personnel managing sustainability on a day-to-day basis or, for that matter, driving the sustainability agenda. Moreover, we realize that our approach does not fully consider the extent to which various departments and personnel are collaborating on sustainability internally. These issues would require a much more exhaustive data-collection process.

Sample versus total population: the sample is not a perfect reflection of the total population of Fortune 500[®] companies. As Appendix B demonstrates, the sample skews toward larger companies on the Fortune 500[®].



About Framework:CR

For the past decade Framework:CR has been working with companies to improve and communicate their environmental, social, governance, and financial performance. Framework's core team has extensive experience in sustainability strategy, environmental strategy and management, law, business management, financial and corporate communications, and public affairs and has worked in both the private and public sectors.

We work from the premise that, to generate maximum value, sustainable business practices must be integrated consistently across all business units, and key sustainability messages should be embedded throughout all communication channels. An integrated sustainability effort raises awareness of sustainability vision and objectives; drives innovation; strengthens customer, investor, employee, supplier, and other relationships; and, ultimately, improves overall business performance and profitability.

We help our clients in three primary ways:

- we provide expert counsel on sustainability trends, standards, strategy, and communications;
- we increase capacity to allow them to undertake and complete projects they might otherwise not have the time or the personnel to handle, and
- we help them connect and communicate with their key stakeholder groups.

We have delivered value in sustainability strategy and communications to such clients as Avon Products, CEMEX, Citigroup, Del Monte Foods, Granite

Construction, H.J. Heinz, Pitney Bowes, Seventh Generation, Staples, and Symantec. Our value to our clients lies in our ability to see the big picture; our keen understanding of the relationship between sustainability performance and business value; our broad experience with different sectors and corporate cultures; our flexibility and responsiveness; and our ability to raise awareness and influence organizational change. Not least, we deliver balanced, transparent, and consistent sustainability communications that help clients improve their credibility and brand equity.

We are well-versed in current sustainability reporting and accountability standards, and the firm is an organizational stakeholder of the [Global Reporting Initiative](#).

Framework is a woman-owned business certified by the [Women's Business Enterprise National Council](#).

For more information, please visit www.frameworkcr.com.



Notes

- ¹ Source: <http://blogs.bccccc.net/2009/01/structure-and-strategies-profile-of-the-practice-2008/>.
- ² We use the term “sustainability” to denote environmental, social, governance, and economic performance.
- ³ For the purposes of this report, we define the “sustainability function” as the person or persons that set the company’s sustainability strategy—including goals, policies, programs, and initiatives.
- ⁴ The 2009 Fortune 500 was not yet available when data collection commenced.
- ⁵ Other universes or criteria may also apply, but they did not affect the companies in our sample.
- ⁶ The 2009 Carbon Disclosure Project Leadership Index was not available at the time of publishing, and, therefore, is not reflected in this report.
- ⁷ The “other” category received, on average 2.71 awards, which is below the average for the entire data set. This category includes such responses as N/A, general counsel, various councils, and principal. Because this category includes such disparate responses, we have elected not to include it in Table 5.
- ⁸ The “senior vice president” category includes such responses as corporate vice president, executive vice president, and group vice president. In looking closely at the organizational structures of these companies on Hoovers.com, it appears that such titles are distinguished from the title of vice president.
- ⁹ The “vice president” category includes such responses as assistant vice president.
- ¹⁰ The “chief officer” category includes such responses as chief administrative officer, chief compliance officer, chief marketing and communications officer, chief sustainability officer, and president, chairman, and chief executive officer.
- ¹¹ The “director” category includes such responses as executive director, senior director, and managing director.
- ¹² The “manager” category includes such responses as corporate manager, general manager, and senior manager.
- ¹³ The “other” category received on average 2.14 awards. Responses include zero levels removed, more than four levels removed, and N/A. Because this category includes such disparate responses, we have elected not to include it in Table 6.
- ¹⁴ “Other” includes responses that represent less than five percent of the total sample. They include N/A, diversity, ethics and compliance, governance, process engineering, risk management, stakeholder relations, strategic planning, and supply chain. Because this category includes such disparate responses, we have elected not to include it in Table 7.
- ¹⁵ “Corporate or public affairs” includes such responses as corporate services, external affairs, and media relations.
- ¹⁶ “Legal or government relations” includes public policy.
- ¹⁷ “Dedicated department” includes citizenship, corporate responsibility, social responsibility, and sustainability.
- ¹⁸ “Environment, health, and safety” includes such responses as corporate environmental, environmental affairs, environment and climate change, environmental communications, and environmental and safety engineering.
- ¹⁹ “Communications” includes corporate communications, financial communications, and investor relations.
- ²⁰ “Community relations or foundation” includes such responses as community affairs.
- ²¹ “Human resources” includes such responses as human relations and human development.
- ²² Data sample statistics refer to the 101 companies used in the analyses, not the 123 companies from which data was gathered.
- ²³ Industry categories were defined by the North American Industry Classifications System.

