



METHODOLOGY

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Corporate Political Disclosure

In January 2010, the United States Supreme Court rendered its decision in the *Citizens United v. Federal Election Commission* case. That verdict allowed corporations (among others) to be much more active in election campaigns, through methods that are publicly disclosed as well as methods that are both undisclosed and unlimited. The Robert Zicklin Center for Corporate Integrity initiated a project to track corporate disclosure of these activities. We define corporate political disclosure as follows:

Corporate political disclosure refers to the corporation's volitional communication to stakeholders of corporate information (resource expenditures, policies, procedures, and governance) relevant to corporate support for political activities (candidates, campaigns, causes, ballot measures, and the like) through either in-kind or monetary expenditure. In the current U.S. institutional environment, mechanisms include direct donation as well as donation via vehicles such as political action committees, trade associations [501(c)(6)s]*, social welfare groups [501(c)(4)s], or 527 committees.

The Baruch Index of Corporate Political Disclosure measures a company's willingness to disclose, or its *transparency*, regarding its corporate political activity with regard to:

- ease with which someone can find the relevant materials on the corporate website;
- what policies, procedures, and corporate governance structures are in place and disclosed; and
- what the corporation says about whom and what it gives to, and how those donations are made.

*The number designation of these various entities pertains to the section of the U.S. tax code governing that particular mechanism.



Transparency Criteria

We began building a set of transparency criteria using the *Handbook on Corporate Political Activity: Emerging Governance Issues*, from The Conference Board.

We expanded that list of items with other items (e.g., the *Prominence* items) based upon our desk research and literature review.

We then asked academic and practitioner experts to evaluate the items in terms of relevance, inclusiveness, and importance.

After some testing with Executive MBA students, we refined the list to 57 dichotomous items, in three categories.



Data Collection

Coding Handbook: We developed a coding handbook to standardize the data search and coding process.

Data Source: We used company websites as source material, as we were looking specifically for what the company voluntarily disclosed about its corporate political activity to its stakeholders. We researched the websites using key search terms, such as *politics*, *political*, *campaign contributions*, *PACs*, and so on. These searches were conducted using Google, as well as the search engine on the company's website.

Research Team: We selected three experienced MBA students, familiar with finance and corporate websites. These researchers were closely supervised by a PhD student in the Department of Management at Baruch College.

Content Analysis: Each company's website was analyzed by two coders. We used standard content analysis techniques and analyses to confirm inter-rater reliability at both the company and item levels before taking the mean of the two raters' scores for each firm.

Research Timeline: All searches were performed during January 2011 to standardize, as best possible, the materials found on the corporate websites. Data analysis began once the research team had completed its work, and was finished by April 2011.



BI Items: Prominence

- The company has a dedicated section (webpage, .pdf file, etc.) on its website for corporate campaign finance policies and procedures.
- The company has a dedicated section (webpage, .pdf file, etc.) on its website for corporate political expenditures.
- A central page for corporate campaign finance information can be found within two links from the main corporate website.
- The company has a dedicated political disclosure webpage that is accessible through the use of general and site-specific search terms such as "political contributions" or "political payments" in its search function.



BI Items: Policies, Procedures, and Structures

The company ...

- has a publicly available policy statement governing its political expenditures.
- has a policy that all of its political expenditures will promote the interests of the company without regard for the private political preferences of its officers and executives.
- states that no political expenditure will be made in anticipation of an official act.
- states that no political expenditure will be made in return for an official act.
- includes political expenditures in its overall code of conduct.
- has a separate code of conduct for political expenditures.
- requires approval of political spending by the general counsel or legal department.
- has a policy that identifies the types of organizations and/or candidates the company will support using company resources.
- has a policy of making all of its political expenditures from a segregated fund (PAC) consisting exclusively of voluntary contributions from employees and shareholders.
- states that its preferred policy is to make its political expenditures directly rather than through outside organizations.
- states that employees will not be reimbursed or compensated for personal political expenditures.
- states that it will not pressure or coerce employees to make personal political expenditures.



Policies, Procedures, & Structures

continued

The company ...

- states that it will not take any retaliatory action against employees who do not make personal political expenditures.
- publishes its procedures for reviewing and evaluating disbursements made with corporate funds for political purposes.
- publishes its procedures for reviewing internal and external requests for political use of corporate funds.
- requires social welfare associations [501(c)(4)s] to report how the company's contributions or payments of any sort are used.
- requires trade associations [501(c)(6)s] to report how the company's contributions or payments of any sort are used.
- has a policy that requires senior managers to oversee and have final authority over all of the company's political expenditures.
- has a policy that a specified board committee, whose report is approved by the board as a whole and made public, will review its policy on political expenditures and approve all political expenditures.
- identifies positions of board members who review and/or approve its political expenditures.
- identifies positions of corporate officers who review and/or approve its political expenditures.
- discloses the positions and names of managers and board members who oversee and/or have final authority over the company's spending decisions.
- has a broadly representative board committee review the company's payments to trade associations or other tax-exempt organizations that may be used to support or oppose candidates.
- has outside auditors or independent experts provide periodic oversight of company political expenditures.
- board of directors or a committee of the board receives regular reports from corporate officers responsible for corporate political expenditures.



BI Items: Disclosure

The company ...

- discloses the names of candidates supported through expenditures of company funds or in-kind donations.
- discloses the amount of company funds or in-kind donations used to support political candidates.
- discloses the names of political parties supported by expenditures of company funds or in-kind donations.
- discloses the amount of company funds or in-kind donations given to political parties.
- discloses expenditures, other than direct contributions, in support of or in opposition to a candidate and the name of each candidate.
- discloses expenditures, other than direct contributions, in support of or in opposition to a candidate and the amount expended for each candidate supported or opposed.
- discloses expenditures, other than direct contributions, in support of or in opposition to a political party and the name of each political party.
- discloses expenditures, other than direct contributions, in support of or in opposition to a political party and the amount expended for each political party supported or opposed.
- discloses expenditures, other than direct contributions, in support of or in opposition to a political cause and the name of each political cause.
- discloses expenditures, other than direct contributions, in support of or in opposition to a political cause and the amount expended for each political cause supported or opposed.
- discloses political expenditures made by its political action committee.
- discloses direct political expenditures of corporate funds to ballot measure committees.



Disclosure *continued*

The company ...

- discloses direct political expenditures of corporate funds to political committees.
- discloses direct political expenditures of corporate funds that are used for political purposes.
- identifies the candidates supported or opposed by outside organizations to which it has given money.
- discloses all disbursements of corporate funds used to make independent expenditures directly.
- discloses all disbursements of corporate funds used to make independent expenditures through other groups.
- discloses expenditures through other organizations on grassroots lobbying communications.
- discloses direct expenditures on grassroots lobbying communications.
- reports annually on its website on its adherence to its code for corporate political spending.
- states the business purpose for each political expenditure.
- discloses all disbursements of corporate funds to federal candidates.
- discloses all disbursements of corporate funds to state candidates.
- discloses all disbursements of corporate funds to local candidates.
- discloses all disbursements of corporate funds to legislative office candidates.
- discloses all disbursements of corporate funds to judicial office candidates.
- discloses all disbursements of corporate funds to executive office candidates.
- discloses all disbursements of corporate funds to foreign candidates/parties.



Companies in the 2011 Study

The following companies comprised the S&P 100 as of January 1, 2011

3M Company	Capital One Financial Corp.	Ford Motor Company	McDonald's Corporation	Regions Financial Corporation
Abbott Laboratories	Caterpillar Inc.	Freeport-McMoRan Copper & Gold Inc.	Medtronic, Inc.	Sara Lee Corporation
Alcoa Inc.	Chevron Corporation	General Dynamics Corporation	Merck & Co., Inc.	Schlumberger Limited
The Allstate Corporation	Cisco Systems, Inc.	General Electric Company	MetLife, Inc.	Southern Company
Altria Group, Inc.	Citigroup Inc.	Gilead Sciences, Inc.	Microsoft Corporation	Sprint Nextel Corporation
Amazon.com, Inc.	The Coca-Cola Company	Goldman Sachs Group, Inc.	Monsanto Company	Target Corporation
American Electric Power Company, Inc.	Colgate-Palmolive Company	Google Inc.	Morgan Stanley	Texas Instruments Incorporated
American Express Company	Comcast Corporation	Halliburton	National Oilwell Varco, Inc.	Time Warner Inc.
Amgen Inc.	ConocoPhillips Company	H.J. Heinz Company	News Corporation	U. S. Bancorp
Apple Inc.	Costco Wholesale Corporation	Hewlett-Packard Company	NIKE, Inc.	United Parcel Service, Inc.
AT&T Inc.	CVS Caremark Corporation	The Home Depot, Inc.	Norfolk Southern Corporation	United Technologies Corporation
Avon Products, Inc.	Dell Inc.	Honeywell International Inc.	NYSE Euronext	UnitedHealth Group, Inc.
Baker Hughes Incorporated	Devon Energy Corporation	Intel Corporation	Occidental Petroleum Corporation	Verizon Communications Inc.
Bank of America Corporation	The Dow Chemical Company	International Business Machines Corporation	Oracle Corporation	Walgreen Co.
The Bank of New York Mellon Corporation	E. I. du Pont de Nemours and Company	Johnson & Johnson	PepsiCo, Inc.	Wal-Mart Stores, Inc.
Baxter International Inc.	EMC Corporation	JPMorgan Chase & Co.	Pfizer Inc.	The Walt Disney Company
Berkshire Hathaway Inc.	Entergy Corporation	Kraft Foods Inc.	Philip Morris International Inc.	Wells Fargo & Company
The Boeing Company	Exelon Corporation	Lockheed Martin Corporation	The Procter & Gamble Company	Weyerhaeuser Company
Bristol-Myers Squibb	Exxon Mobil Corporation	Lowe's Companies, Inc.	Qualcomm Incorporated	The Williams Companies, Inc.
Campbell Soup Company	FedEx Corporation	MasterCard Incorporated	Raytheon Company	Xerox Corporation



About Us

- **The Robert Zicklin Center for Corporate Integrity** is a forum for discussion of a broad range of contemporary issues confronting U.S. corporations and capital markets. Our concerns include: transparency of corporate reporting, corporate governance, examining legal and ethical corporate behavior, spotlighting executive accountability, corporate responsibility in global business development, risk assessment and amelioration, resolving conflicting corporate stakeholder interests, and evaluating the role of governmental regulation.
- **Donald H. Schepers** (PhD, The University of Arizona) is Professor of Management at Baruch College, City University of New York, and Director of the Robert Zicklin Center for Corporate Integrity. Dr. Schepers teaches Social and Governmental Environment of Business, Corporate Governance, and Business Ethics to MBA and Executive MBA programs. Dr. Schepers also teaches Strategic Planning and Control in the Baruch/Mt. Sinai Healthcare Administration MBA program. His present research interests include corporate political campaign contributions, corporate governance and codes of conduct, socially responsible investing, and the impact of non-governmental organizations on business policy. He has also authored articles on organizational justice and ethical decision making. His articles have appeared in *Organizational Behavior and Human Decision Processes*, *Human Resource Management*, *Journal of Business Ethics*, *Business and Society*, and *Business and Society Review*. He has also authored book chapters and business case studies.
- **Naomi A. Gardberg** (PhD, NYU) is an Associate Professor of Management at Baruch College, City University of New York. Dr. Gardberg teaches the capstone (strategy) course for the undergraduate, graduate, and Baruch/Mt. Sinai Healthcare Administration MBA programs as well as an undergraduate international management course and a doctoral seminar in cross-cultural research methods. Her current research examines non-market strategies such as political contributions; the creation, transfer, and dissipation of intangible assets, such as corporate reputation; and the effects of marginalization on stakeholder behavior. She has published her research in several journals, including *Academy of Management Review*, *Business & Society*, *Corporate Reputation Review*, and the *Journal of International Business Studies*, as well as in book chapters.



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